

CITY OF MANDEVILLE, LOUISIANA

**Report on Audit of
Financial Statements**

Fiscal Year Ended August 31, 2006

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 5-16-07

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Independent Auditor's Report

The Honorable Edward Price, III Mayor
and Members of the City Council
City of Mandeville, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Mandeville, Louisiana (the City), as of and for the year ended August 31, 2006, which collectively comprise City of Mandeville, Louisiana's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Mandeville, Louisiana's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of City of Mandeville, Louisiana, as of August 31, 2006, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2007, on our consideration of City of Mandeville, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be used in conjunction with this report in considering the results of our audit.

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Management's Discussion and Analysis and the Required Supplemental Information, as listed in the table of contents, are not required parts of the basic financial statements of City of Mandeville, Louisiana, but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise City of Mandeville, Louisiana's basic financial statements. The combining and individual non-major fund financial statements and budgetary comparison schedules for the Enterprise Fund are presented for the purposes of additional analysis and are not required parts of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Mandeville, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all materials respects, in relation to the basic financial statements taken as a whole.



A Professional Accounting Corporation

January 3, 2007

REQUIRED SUPPLEMENTAL INFORMATION (PART I)
MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF MANDEVILLE, LOUISIANA

Management's Discussion and Analysis August 31, 2006

As management of the City of Mandeville, Louisiana (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City, for the fiscal year ended August 31, 2006. This management discussion and analysis (MD&A) is designed to provide an objective and easy to read analysis of the City's financial activities based on currently known facts, decisions, or conditions. It is intended to provide readers with a broad overview of City finances. It is also intended to provide readers with an analysis of the City's short-term and long-term activities based on information presented in the financial report and fiscal policies that have been adopted by the City. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position (its ability to address the next and subsequent years challenges), identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

As with other sections of this financial reporting, the information contained with the MD&A should be considered only a part of a greater whole. We encourage readers to consider the information presented here in conjunction with additional information presented in the Required Supplemental Information (RSI) that is provided in addition to this MD&A.

Financial Highlights

- The assets of the City exceeded liabilities at the close of the most recent fiscal year by \$58,311,085. This is comprised of \$28,744,619 in Governmental Activities and \$29,566,466 in Business Type Activities.
- The City's total net assets increased by \$8,151,929. This is comprised of a \$7,194,413 increase from Governmental Activities and a \$957,516 increase from Business Type Activities.
- The unrestricted portion of total net assets totaled \$15,806,924. This is comprised of \$13,226,971 in Governmental Funds and \$2,579,953 in Business Type Activities. Unrestricted Net Assets are available for spending at the City's discretion.
- Approximately 68.5% of the City's total Net Assets are comprised of its investment in capital assets (e.g., land, buildings, equipment, infrastructure, etc.) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.
- Less than 5% (\$2,589,499) of the City's Net Assets are reserved for Debt Service.
- The balance of Net Assets (approximately 27%) is unrestricted.
- The City's outstanding debt decreased by \$1,005,000 due to the normal debt service requirements.

CITY OF MANDEVILLE, LOUISIANA

Management's Discussion and Analysis August 31, 2006

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 29. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's financial statements. The City's financial statements consist of the following components:

- Government-Wide Financial Statements,
- Fund Financial Statements,
- Notes to the financial statements, and
- Other supplementary information, which is in addition to the financial statements themselves.

Government-Wide Financial Statements

Government-wide financial statements required by GASB Statement 34 provide readers with a concise "entity-wide" Statement of Net Assets and Statement of Activities, seeking to give the user of the financial statements a broad overview of the City's financial position and results of operations in a manner similar to a private-sector business.

- The Statement of Net Assets presents information on all of the City's assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. The difference between the assets and liabilities is reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or weakening.
- The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation time).

CITY OF MANDEVILLE, LOUISIANA

Management's Discussion and Analysis
August 31, 2006

Government-Wide Financial Statements (Continued)

The government-wide financial statements further assist the reader in their evaluation by distinguishing functions of the City into:

Governmental Activities that are principally supported by taxes and intergovernmental revenues, and

Business-Type Activities from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (Water and Sewer).

Net Assets Analysis

As noted earlier, net assets may, over time, serve as a useful indicator of a government's financial position. Net Assets are divided into three categories, Invested in Capital Assets (which makes up the largest portion of total net assets), Restricted for Debt Service, and Unrestricted. The City's assets exceeded its liabilities at the close of the most recent fiscal year by \$58,311,085 (total net assets), of which \$15,806,924 is unrestricted net assets.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

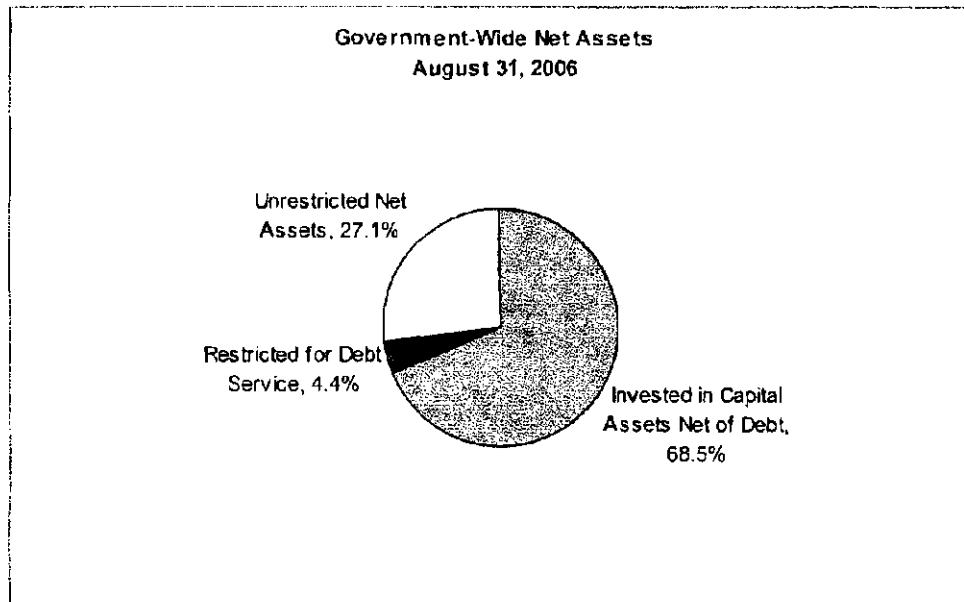
CITY OF MANDEVILLE, LOUISIANA

Management's Discussion and Analysis
August 31, 2006

Government-Wide Financial Analysis (Continued)

Net Assets Analysis

	Governmental Activities	Business- Type Activities	Total
Invested in Capital Assets Net of Debt	\$ 12,928,149	\$ 26,986,513	\$ 39,914,662
Restricted for Debt Service	2,589,499	-	2,589,499
Unrestricted Net Assets	13,226,971	2,579,953	15,806,924
	<u>\$ 28,744,619</u>	<u>\$ 29,566,466</u>	<u>\$ 58,311,085</u>

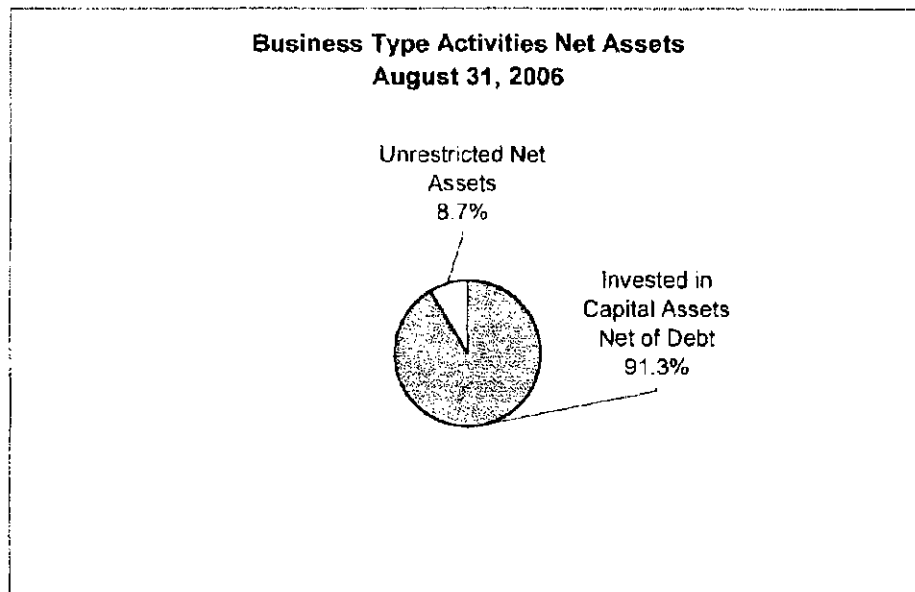
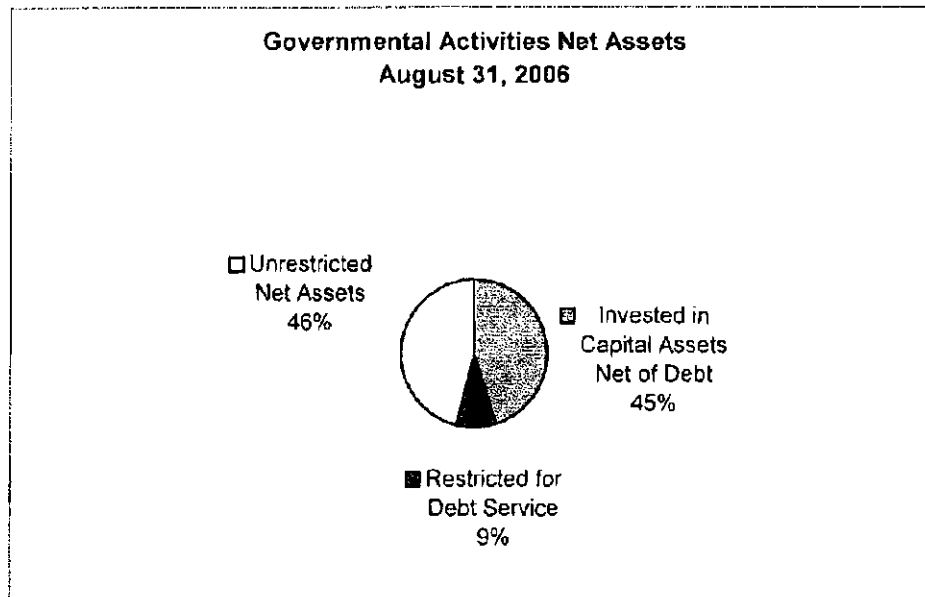


CITY OF MANDEVILLE, LOUISIANA

Management's Discussion and Analysis
August 31, 2006

Government-Wide Financial Statements (Continued)

Net Assets Analysis



CITY OF MANDEVILLE, LOUISIANA**Management's Discussion and Analysis
August 31, 2006**

Government-Wide Financial Statements (Continued)**Financial Ratios**

"Working Capital" is the amount by which current assets (including investments) exceed current liabilities. The "Current Ratio", which compares current assets to current liabilities, is an indicator of the ability to pay current obligations.

Working Capital	2006	2005	2004
Entity Wide Summary	\$ 19,343,876	\$ 11,835,421	\$ 13,777,183
Governmental	\$ 14,757,614	\$ 9,198,421	\$ 10,117,923
Business-type	\$ 4,586,262	\$ 2,637,000	\$ 3,659,260

Current Ratio	2006	2005	2004
Entity Wide Summary	42	27	30
Governmental	39	26	31
Business-type	94	31	28

"Liabilities to Net Assets" indicates the extent of borrowing.

Liabilities to Net Assets	2006	2005	2004
Entity Wide Summary	16%	20%	23%
Governmental	32%	44%	53%
Business-type	1%	1%	2%

"Total Return on Assets" illustrates to what extent there will be sufficient funds from operations to replace assets in the future. It includes all revenues.

Total Return on Assets	2006	2005	2004
Entity Wide Summary	12.7%	4.4%	5.9%
Governmental	13.9%	4.0%	6.5%
Business-type	2.1%	1.7%	5.3%

"Capital Asset Change" illustrates to what extent the City financially maintains infrastructure. Percentage increase (decrease) in Net Capital Assets.

Capital Asset Change	2006	2005	2004
Entity Wide Summary	1%	9%	8%
Governmental	-1%	12%	18%
Business-type	2%	6%	2%

CITY OF MANDEVILLE, LOUISIANA

Management's Discussion and Analysis August 31, 2006

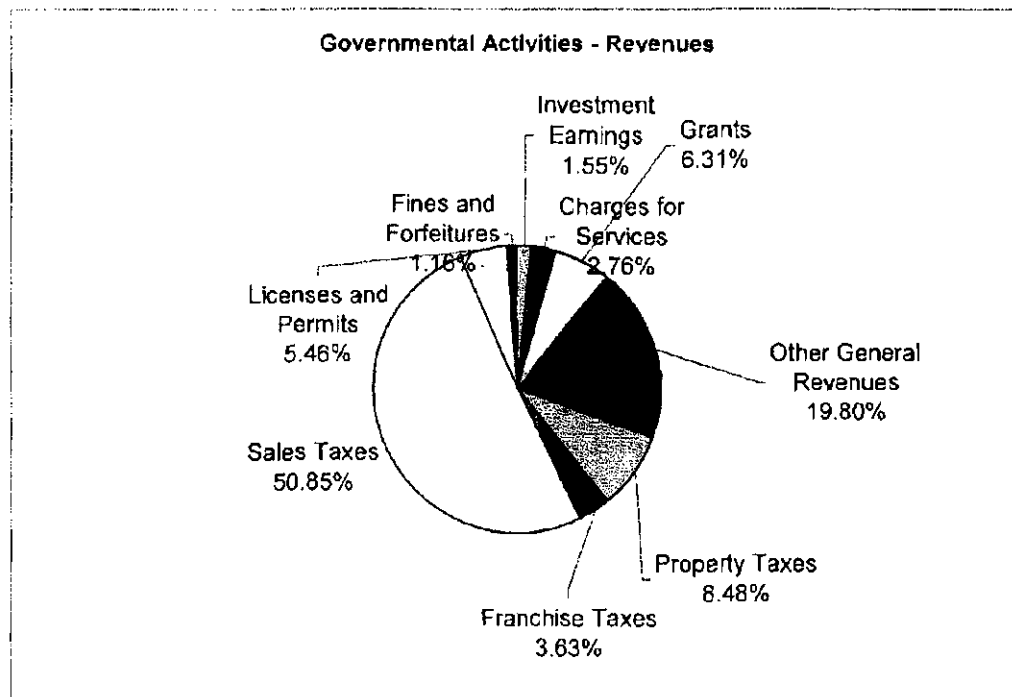
Government-Wide Financial Statements (Continued)

Governmental Activities for the City include General Government, Public Safety, Public Works, Cemetery, and Interest on Long-Term Debt. Sales taxes, property taxes, franchise taxes, licenses and permits, fees and fines fund most of these governmental activities.

Presented is the City's revenues and expenses related to those functions typically associated with governments.

Governmental Activities - Revenues

Property Taxes	\$ 1,958,359
Franchise Taxes	838,922
Sales Taxes	11,749,399
Licenses and Permits	1,260,564
Fines and Forfeitures	267,374
Investment Earnings	358,601
Charges for Services	638,769
Grants	1,457,997
Other General Revenues	<u>4,574,353</u>
Total Governmental Activities	<u>\$23,104,338</u>



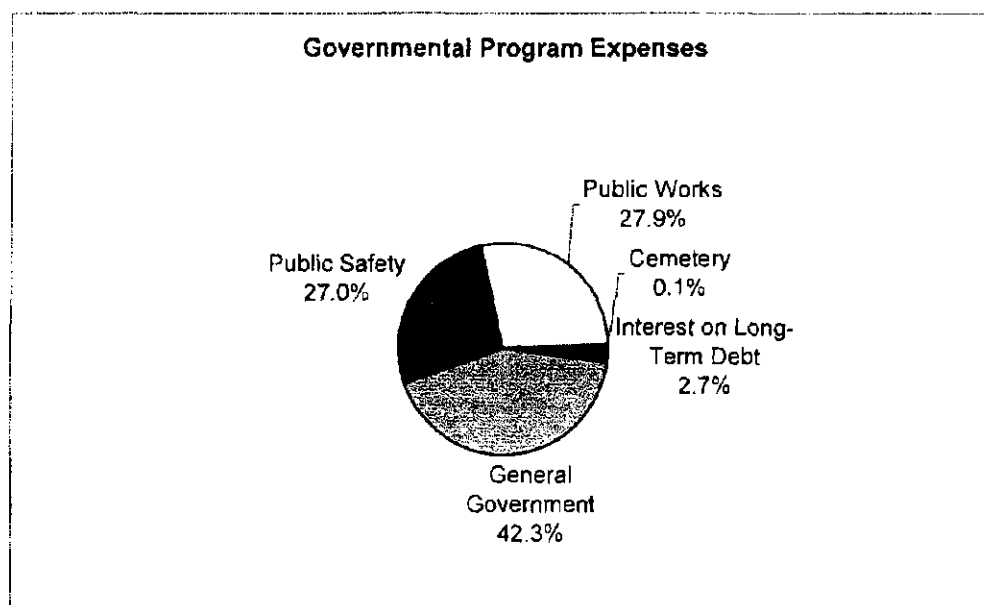
CITY OF MANDEVILLE, LOUISIANA

Management's Discussion and Analysis
August 31, 2006

Government-Wide Financial Statements (Continued)

Governmental Activities - Expenses

General Government	\$ 6,493,700
Public Safety	4,149,180
Public Works	4,290,108
Cemetery	19,333
Interest on Long-Term Debt	<u>407,604</u>
 Total Governmental Activities	 <u>\$15,359,925</u>



CITY OF MANDEVILLE, LOUISIANA

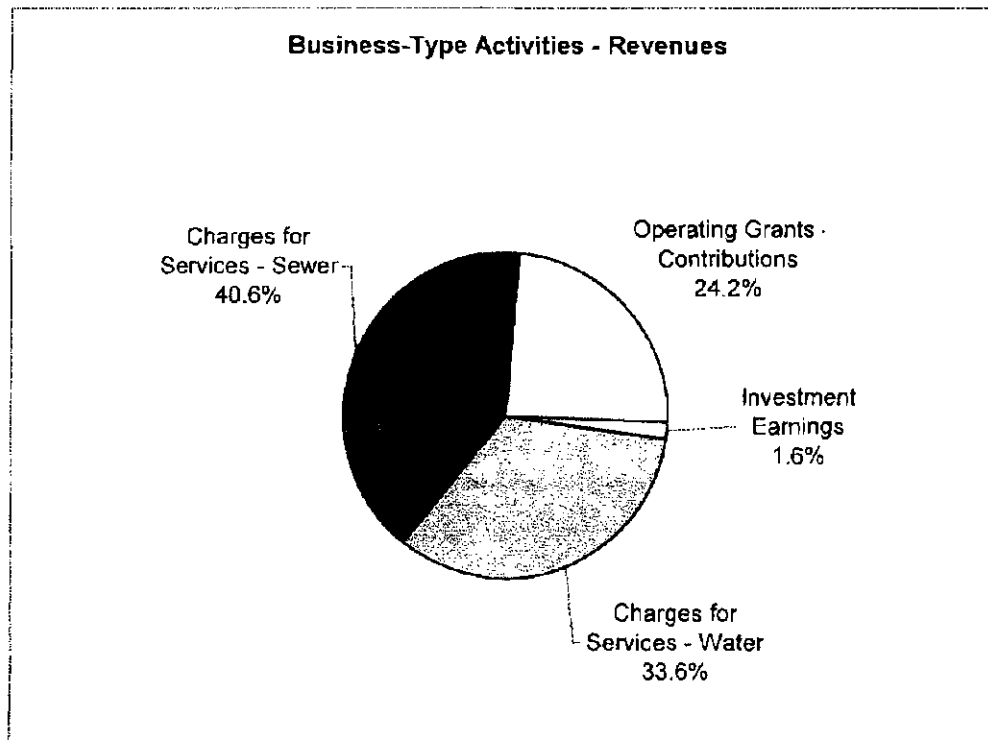
Management's Discussion and Analysis August 31, 2006

Government-Wide Financial Statements (Continued)

Business-Type Activities - Revenues

Charges for Services - Water	\$1,330,183
Charges for Services - Sewer	1,606,367
Operating Grants - Contributions	958,330
Investment Earnings	<u>65,077</u>

Total Governmental Activities	<u>\$3,959,957</u>
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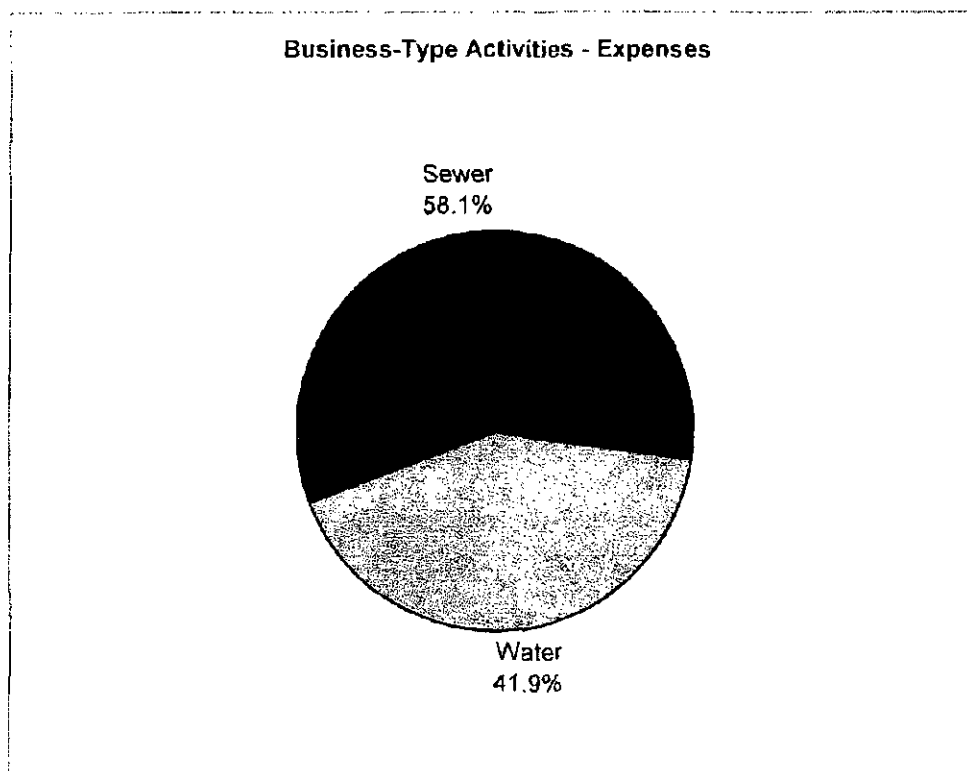
CITY OF MANDEVILLE, LOUISIANA

Management's Discussion and Analysis
August 31, 2006

Government-Wide Financial Statements (Continued)

Business-Type Activities - Expenses

Water	\$ 1,487,870
Sewer	<u>2,064,571</u>
Total Governmental Activities	<u>\$ 3,552,441</u>



Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. They provide detailed information about the most significant funds of the City as a whole. Some funds are required to be established by law. The City has also established separate funds to help control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's funds are comprised of Governmental Funds and a Proprietary Fund (Enterprise Fund).

- Governmental Funds are used to account for most of the City's services reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using modified accrual accounting, which measure cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds' Balance Sheet and the governmental funds' Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains eight individual governmental funds, of which five are considered major. Information is presented separately in the governmental funds' Balance Sheet and in the governmental funds' Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Tax Collector Fund, Sales Tax Fund, Special Sales Tax Fund, and the Street Construction Fund, which are all considered to be major funds as defined by GASB Statement No. 34. Data from the other governmental funds (Bond Reserve Fund, Bond Sinking Fund, and Water Construction II Fund) are combined into a single, aggregated presentation.

- Proprietary Fund – The Enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses its Enterprise Fund to account for its Water and Sewer departments. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer departments.

CITY OF MANDEVILLE, LOUISIANA

**Management's Discussion and Analysis
August 31, 2006**

**Fund Financial Statement Analysis
Major Governmental Funds**

General Fund

	Fiscal Years Ended August 31,	
	2006	2005
Revenue		
Property Taxes	\$ 1,892,822	\$ 1,832,397
Franchise Taxes	838,922	703,441
Licenses and Permits	1,260,564	1,223,625
Intergovernmental Grants	1,457,997	167,153
Charges for Services	638,769	672,173
Fines and Forfeitures	267,374	258,499
Interest Income	51,268	32,640
Miscellaneous	4,574,353	416,556
Total Revenues	10,982,069	5,306,484
Expenditures		
Current:		
General Government	6,189,425	2,980,336
Public Safety	3,937,339	3,694,738
Public Works	1,303,470	1,658,726
Cemetery	19,333	18,881
Capital Outlay	1,094,832	2,525,413
Debt Service	12,990	-
Total Expenditures	12,557,389	10,878,094
Deficiency of Revenues under Expenditures	(1,575,320)	(5,571,610)
Other Financial Sources (Uses):		
Proceeds from Community Disaster Loan	650,000	-
Transfers in	4,887,000	5,109,500
Transfers Out	-	-
Net Transfers	5,537,000	5,109,500
Net Change in Fund Balance	3,961,680	(462,110)
Fund Balance, Beginning of the Year	2,265,098	2,727,208
Fund Balance, End of the Year	\$ 6,226,778	\$ 2,265,098

CITY OF MANDEVILLE, LOUISIANA

Management's Discussion and Analysis August 31, 2006

Fund Financial Statement Analysis (Continued) **Major Governmental Funds (Continued)**

Discussion:

- Property Tax Revenue increased approximately 3.3 % due to the normal growth of the City.
- Franchise Tax Revenue increased approximately 19.3% due to the normal growth of the City and the increase in the cost of natural gas.
- The increase in Intergovernmental Grants is due to funds received for the Galvez St. drainage improvements (approximately \$1,176,000).
- The increase in Miscellaneous Revenues is due to reimbursements from the federal government for expenses incurred with Hurricane Katrina (approximately \$4,297,056).
- General Government expenditures increased primarily due to expenses incurred with Hurricane Katrina (approximately \$3,198,923).
- Public Safety expenditures increased primarily due to the increased cost of salaries and benefits.
- Public Works expenses decreased due to a decrease in maintenance costs on City drainage ways and the decrease of funds spent on sand, asphalt, and gravel.

CITY OF MANDEVILLE, LOUISIANA**Management's Discussion and Analysis
August 31, 2006****Fund Financial Statement Analysis (Continued)
Major Governmental Funds (Continued)****Tax Collector Debt Service Fund**

	Fiscal Years Ended August 31,	
	2006	2005
Revenue		
Property Taxes	\$ 65,537	\$ 136,216
Interest Income	30,282	14,090
Miscellaneous	-	258
Total Revenues	95,819	150,564
Expenditures		
Current:		
General Government	20,334	19,873
Debt Service	109,545	105,683
Total Expenditures	129,879	125,556
Deficiency of Revenues under Expenditures	(34,060)	25,008
Other Financing Sources (Uses)		
Proceeds from Refunding Bond Issue	-	-
Payment to Escrow Agent	-	-
Bond Issuance Cost	-	-
Total Other Financing Sources (Uses)	-	-
Net Change in Fund Balance	(34,060)	25,008
Fund Balance, Beginning of the Year	712,520	687,512
Fund Balance, End of the Year	\$ 678,460	\$ 712,520

CITY OF MANDEVILLE, LOUISIANA

**Management's Discussion and Analysis
August 31, 2006**

Fund Financial Statement Analysis (Continued)
Major Governmental Funds (Continued)

Sales Tax Fund

	Fiscal Years Ended August 31,	
	2006	2005
Revenue		
Sales Taxes	\$ 11,749,399	\$ 8,840,397
Interest Income	17,939	11,182
Total Revenues	11,767,338	8,851,579
Expenditures		
Current:		
General Government	135,118	102,665
Total Expenditures	135,118	102,665
Excess of Revenues over Expenditures	11,632,220	8,748,914
Other Financial Sources (Uses):		
Transfers Out	(11,318,445)	(9,002,902)
Net Transfers	(11,318,445)	(9,002,902)
Net Change in Fund Balance	313,775	(253,988)
Fund Balance, Beginning of the Year	79,077	333,065
Fund Balance, End of the Year	\$ 392,852	\$ 79,077

CITY OF MANDEVILLE, LOUISIANA

**Management's Discussion and Analysis
August 31, 2006**

Fund Financial Statement Analysis (Continued)

Major Governmental Funds (Continued)

Special Sales Tax Fund

	Fiscal Years Ended August 31,	
	2006	2005
Revenue		
Interest Income	\$ 165,765	\$ 74,747
Miscellaneous	-	-
Total Revenues	165,765	74,747
Expenditures		
Current:		
General Government	650	625
Total Expenditures	650	625
Excess of Revenues Over Expenditures	165,115	74,122
Other Financial Sources (Uses):		
Transfers in	4,564,922	3,451,805
Transfers Out	(2,458,608)	(3,235,612)
Net Transfers	2,106,314	216,193
Net Change in Fund Balance	2,271,429	290,315
Fund Balance, Beginning of the Year	2,420,815	2,130,500
Fund Balance, End of the Year	\$ 4,692,244	\$ 2,420,815

CITY OF MANDEVILLE, LOUISIANA

**Management's Discussion and Analysis
August 31, 2006**

Fund Financial Statement Analysis (Continued)
Major Governmental Funds (Continued)

Street Construction Fund

	Fiscal Years Ended August 31,	
	2006	2005
Revenue		
Intergovernmental Grants	\$ -	\$ 9,752
Interest Income	67,247	40,817
Total Revenues	67,247	50,569
Expenditures		
Current:		
Capital Outlay	1,969,634	2,719,694
Total Expenditures	1,969,634	2,719,694
Deficiency of Revenues under Expenditures	(1,902,387)	(2,669,125)
Other Financial Sources (Uses):		
Transfers in	2,512,609	1,895,071
Net Transfers	2,512,609	1,895,071
Net Change in Fund Balance	610,222	(774,054)
Fund Balance, Beginning of the Year	1,946,179	2,720,233
Fund Balance, End of the Year	\$ 2,556,401	\$ 1,946,179

CITY OF MANDEVILLE, LOUISIANA

**Management's Discussion and Analysis
August 31, 2006**

Fund Financial Statement Analysis (Continued)
Proprietary (Enterprise) Fund

Proprietary Fund

	Fiscal Years Ended August 31,	
	2006	2005
Operating Revenues		
Charges for Services:		
Water Fees	\$ 1,133,169	\$ 975,996
Sewerage Fees	1,451,102	1,486,082
Tapping Fees:		
Water Department	47,265	52,705
Sewer Department	28,299	31,375
Service Charge	18,825	20,960
Delinquent Charges	52,668	85,114
Sewer Inspection Fees	2,475	2,563
Miscellaneous	21,647	844
DHH Fees	12,534	12,480
Sewer Impact Fees	83,920	92,724
Water Inspection Fees	3,050	3,200
Water Impact Fees	89,006	113,907
Total Operating Revenues	2,943,960	2,877,950
Operating Expenses		
Water Department Expenses	1,487,870	1,312,427
Sewer Department Expenses	2,064,571	1,766,268
Total Expenditures	3,552,441	3,078,695
Operating Loss	(608,481)	(200,745)
Non-Operating Revenues (Expenses)		
Grant Income	901,830	93,821
Disaster Income	56,500	-
Interest Income	65,077	44,771
Contributions	-	39,000
Loss on Disposal of Assets	(7,410)	(1,500)
Interest and Fiscal Charges	-	(1,863)
Total Non-Operating Revenue	1,015,997	174,229
Loss Before Contributions and Transfers	407,516	(26,516)
Capital Contributions	-	223,163
Transfers - Special Revenue Fund	550,000	543,000
Net Change in Net Assets	957,516	739,647
Total Net Assets, Beginning of Year	28,608,950	27,869,303
Total Net Assets, End of the Year	\$ 29,566,466	\$ 28,608,950

Discussion:

Water Fees increased due to a dry summer and recovery from Hurricane Katrina.

Changes in department expenditures are detailed on the next page.

CITY OF MANDEVILLE, LOUISIANA

Management's Discussion and Analysis August 31, 2006

Fund Financial Statement Analysis (Continued) Proprietary (Enterprise) Fund

	Water Department For The Years Ended August 31,		Sewer Department For The Years Ended August 31,	
	2006	2005	2006	2005
Salaries, Overtime, and Vacation	\$ 341,389	\$ 345,829	\$ 239,607	\$ 301,781
Payroll Taxes	25,429	27,527	17,728	22,444
Retirement	64,641	70,334	64,613	79,186
Employee Medical Insurance	70,389	84,888	86,987	88,215
Workmen's Compensation	8,502	14,832	6,739	17,660
Licenses and Permits	12,343	11,655	7,114	7,114
Engineers' Fees	12,650	25,640	18,770	40,789
Computer Programs and Supplies	15,874	16,341	18,837	14,320
Pumps Maintenance	2,286	13,547	304,411	89,419
Purification Chemicals	66,278	38,992	10,044	20,517
Bad Debt Expense	150,645	-	-	-
Membership, Dues and Subscriptions	1,052	905	634	586
Printing	2,925	2,799	1,866	1,039
Utilities	105,761	66,752	402,210	319,532
Telephone	13,286	8,723	5,401	5,563
Insurance - General	14,700	15,189	9,115	15,188
Insurance - Property	12,769	8,000	8,750	7,500
Office Supplies	1,980	2,067	1,572	1,975
Service Charges	10	10	-	-
Building Maintenance	2,973	3,468	1,491	1,935
Postage	7,022	8,311	7,287	8,439
Travel, Convention and Conferences	1,753	2,263	8,907	7,615
Civil Service	1,494	384	1,566	384
Radio Maintenance	1,404	1,971	1,404	1,953
Uniforms	4,874	3,750	4,991	4,247
Fuel, Oil and Lube	18,970	16,000	17,956	15,500
Insurance - Vehicle	5,000	5,500	5,000	5,500
Vehicle Repair and Maintenance	4,219	9,113	6,194	12,295
Equipment Maintenance	5,885	4,830	31,287	48,983
Equipment Rental	-	247	614	1,370
Contract Labor	84,754	31,047	194,601	92,661
Small Tools and Supplies	18,789	15,681	15,020	14,971
Sand, Asphalt and Gravel	-	-	-	2,270
Depreciation	351,173	346,638	360,415	363,156
Connection Supplies	32,836	40,669	(2,509)	5,161
Testing	-	-	118,142	94,350
Plant Maintenance and Repair	21,880	65,403	85,127	50,909
Training	1,935	2,952	2,680	1,741
Emergency Repairs	-	170	-	-
Total	\$ 1,487,870	\$ 1,312,427	\$ 2,064,571	\$ 1,766,268

Discussion:

The overall increase in Water Department expenses is due primarily to an increase in Bad Debt Expense. The City has elected to write off accounts over the past twenty plus years that it deems uncollectible.

The overall increase in Sewer Department expenses is due primarily to an increase in Pumps Maintenance and Contract Labor. The Sewer Department has been short staffed since Hurricane Katrina and has had to outsource more work which has resulted in an increase in these line items.

CITY OF MANDEVILLE, LOUISIANA

Management's Discussion and Analysis August 31, 2006

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

- **Other Supplementary Information**

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information.

- A. **Budgetary Comparison Schedule** – The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget, beginning on page 61.
- B. **Analysis of Significant Budget Variances in the General Fund:**
 - 1. **Revenues:**
 - a. The Intergovernmental grants revenue budget was based on anticipated grants and the large variance is due in part to grants that may be received and grants not received.
 - b. The Miscellaneous revenue budget was based on anticipated reimbursements from the federal government for expenses incurred with Hurricane Katrina.
 - 2. **Expenditures**
 - a. There were no significant expenditures in excess of final budgeted amounts.

Supplemental Information

- A. Combining statements of the Non-major Governmental Funds (Bond Reserve, Bond Sinking, and Water Construction II Funds)
- B. Other Supplementary Schedules follow.

CITY OF MANDEVILLE, LOUISIANA

Management's Discussion and Analysis August 31, 2006

Capital Asset and Debt Administration

A. Capital Assets

The City's investment in capital assets for its governmental and business type activities as of August 31, 2006, amounts to \$47,999,662 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, park facilities, roads, and water and sewer infrastructure.

Major capital asset additions during the current fiscal year included the following:

1. Several police and other vehicles were acquired for the General Government at a cost of \$287,948.
2. Other machinery, equipment, etc. were acquired at a cost of \$247,943 for the General Government.
3. Land was acquired for the General Government at a cost of \$92,188.
4. Road construction and replacement totaled \$1,765,803.
5. Various water line additions were constructed by the Water Fund at a cost of \$223,307.
6. Various sewer line additions were constructed by the Sewer Fund at a cost of \$511,273.
7. Equipment and vehicles were acquired for the Water and Sewer Funds at a cost of \$223,483.
8. Land was acquired for the Sewer Fund at a cost of \$166,775.

Additional information on the City's capital assets can be found in Note 7 of this report.

B. Long-Term Debt

At August 31, 2006, the City had total bonded debt outstanding of \$8,085,000. This total is comprised of \$860,000 in general obligation bonds, \$5,170,000 Series 1999 Bonds payable from a pledge of the City's Sales Tax, \$2,055,000 Series 2000 Bonds payable from a pledge of the City's 1% Sales Tax.

Total retirement of Long-Term Debt amounted to \$1,005,000.

Additional information on the City's long-term debt can be found in Note 12 of this report.

CITY OF MANDEVILLE, LOUISIANA

Management's Discussion and Analysis August 31, 2006

Economic Factors and Next Year's Budget and Rates

The following factors were considered in preparing the City's budget for the 2007 fiscal year:

Sales tax revenues, the City's largest revenue source, produced substantial growth in this fiscal year. The City feels that a majority of this increase is due to the rebuilding of the City after Hurricane Katrina and we are not sure how long the rebuilding will last. Because of this, the City is taking a conservative approach to projecting sales tax revenues: therefore, for fiscal year ending August 31, 2007, there is a slight decrease in budgeted sales tax revenue compared to the August 31, 2006 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Milton Stiebing, Director of Finance
City of Mandeville
3101 E. Causeway Approach
Mandeville, LA 70448
Independent Auditor's Report

FINANCIAL STATEMENTS

Statement A

CITY OF MANDEVILLE, LOUISIANA
Statement of Net Assets
August 31, 2006

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 6,902,425	\$ 2,991,462	\$ 9,893,887
Investments	6,615,704	1,431,276	8,046,980
Receivables:			
Ad Valorem Taxes	1,640	-	1,640
Water and Sewer (Net)	-	213,011	213,011
Other	4,211	-	4,211
FEMA	1,617,526	-	1,617,526
Internal Balances	1,816,862	(1,816,862)	-
Deposits	2,580	-	2,580
Inventory	99	81,003	81,102
Capital Assets, Net	21,013,149	26,986,513	47,999,662
Total Assets	37,974,196	29,886,403	67,860,599
Liabilities			
Accounts Payable and Accrued Liabilities	383,892	49,487	433,379
Customer Deposits	110,685	270,450	381,135
Community Disaster Loan Payable (Long-Term)	650,000	-	650,000
General Obligations Bonds Payable -			
Current	1,015,000	-	1,015,000
Long-Term	7,070,000	-	7,070,000
Total Liabilities	9,229,577	319,937	9,549,514
Net Assets			
Invested in Capital Assets, Net of Related Debt	12,928,149	26,986,513	39,914,662
Restricted for:			
Debt Service	2,589,499	-	2,589,499
Unrestricted	13,226,971	2,579,953	15,806,924
Total Net Assets	\$ 28,744,619	\$ 29,566,466	\$ 58,311,085

The accompanying notes are an integral part of these financial statements.

CITY OF MANDEVILLE, LOUISIANA
Statement of Activities
For the Year Ended August 31, 2006

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
General Government	\$ 8,493,700	\$ 622,666	\$ -	(5,871,034)	\$ -	\$ (5,871,034)
Public Safety	4,149,180	-	-	(4,149,180)	-	(4,149,180)
Public Works	4,290,108	-	1,457,997	(2,832,111)	-	(2,832,111)
Cemetery	19,333	16,103	-	(3,230)	-	(3,230)
Interest on Debt	407,604	-	-	(407,604)	-	(407,604)
Total Governmental Activities	15,359,925	638,769	1,457,997	(13,263,159)	-	(13,263,159)
Business-Type Activities						
Water	\$ 1,487,870	\$ 1,330,183	\$ -	\$ -	\$ (157,687)	\$ (157,687)
Sewer	2,064,571	1,606,367	958,330	-	500,126	500,126
Total Business-Type Activities	3,552,441	2,936,550	958,330	-	342,439	342,439
Total	\$ 18,912,366	\$ 3,575,319	\$ 2,416,327	(13,263,159)	342,439	(12,920,720)
General Revenues						
Property Taxes				1,958,359	-	1,958,359
Franchise Taxes				838,922	-	838,922
Sales Taxes				11,749,399	-	11,749,399
Licenses and Permits				1,260,564	-	1,260,564
Fines and Forfeitures				267,374	-	267,374
Investment Earnings				358,601	65,077	423,678
Other General Revenues				4,574,353	-	4,574,353
Transfers				(550,000)	550,000	-
Total General Revenues and Transfers				20,457,572	615,077	21,072,649
Change in Net Assets				7,194,413	957,516	8,151,929
Net Assets, Beginning of Year				21,550,206	28,608,950	50,159,156
Net Assets, End of Year				\$ 28,744,619	\$ 29,566,466	\$ 58,311,085

The accompanying notes are an integral part of these financial statements.

Statement C

CITY OF MANDEVILLE, LOUISIANA
Balance Sheet
Governmental Funds
August 31, 2006

	General Fund	Tax Collector Fund	Sales Tax Fund	Special Sales Tax Fund	Street Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets							
Cash and Cash Equivalents	\$ 1,554,206	\$ 699,565	\$ 310,577	\$ 2,413,200	\$ 1,231,467	\$ 693,410	\$ 6,902,425
Investments	1,139,604	563,522	82,275	2,265,285	1,324,934	1,240,084	6,615,704
Receivables, Net	-	-	-	-	-	-	-
Ad Valorem	-	1,640	-	-	-	-	1,640
Other Receivables	4,211	-	-	-	-	-	4,211
FEMA Receivables	1,617,526	-	-	-	-	-	1,617,526
Deposits	2,580	-	-	-	-	-	2,580
Inventory of Plots and Crypts	99	-	-	-	-	-	99
Due from Enterprise Fund	1,816,862	-	-	-	-	-	1,816,862
Interfund Receivables	586,267	-	-	13,758	-	-	600,025
Total Assets	\$ 6,721,355	\$ 1,264,727	\$ 392,852	\$ 4,692,243	\$ 2,556,401	\$ 1,933,494	\$ 17,561,072
Liabilities and Fund Balances							
Liabilities							
Accounts Payable	\$ 10,450	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,450
Accrued Liabilities	373,442	-	-	-	-	-	373,442
Deposits	110,685	-	-	-	-	-	110,685
Interfund Payables	-	586,267	-	-	-	13,758	600,025
Total Liabilities	494,577	586,267	-	-	-	13,758	1,094,602
Fund Balances							
Reserved for Debt Service	-	678,460	-	-	-	1,911,039	2,589,499
Reserved for Inventory	99	-	-	-	-	-	99
Unreserved, Reported in:							
General Fund	6,226,679	-	-	-	-	-	6,226,679
Special Revenue Fund	-	-	392,852	4,692,243	-	-	5,085,095
Capital Projects Fund	-	-	-	-	2,556,401	8,697	2,565,098
Total Fund Balances	6,226,778	678,460	392,852	4,692,243	2,556,401	1,919,736	16,466,470
Total Liabilities and Fund Balances	\$ 6,721,355	\$ 1,264,727	\$ 392,852	\$ 4,692,243	\$ 2,556,401	\$ 1,933,494	\$ 17,561,072

The accompanying notes are an integral part of these financial statements.

CITY OF MANDEVILLE, LOUISIANA
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
For the Year Ended August 31, 2006

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Fund Balances - Total Governmental Funds	\$ 16,466,470
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Governmental Capital Assets	48,098,911
Less: Accumulated Depreciation	(27,085,762)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Amount Outstanding on Community Disaster Loan	(650,000)
General Obligation Bonds	<u>(8,085,000)</u>

Net Assets of Governmental Activities	<u>\$ 28,744,619</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF MANDEVILLE, LOUISIANA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended August 31, 2006

	General Fund	Tax Collector Fund	Sales Tax Fund	Special Sales Tax Fund	Street Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues							
Taxes							
Property Taxes	\$ 1,892,822	\$ 65,537	\$ -	\$ -	\$ -	\$ -	\$ 1,958,359
Franchise Taxes	838,922	-	-	-	-	-	838,922
Sales Taxes	-	-	11,749,399	-	-	-	11,749,399
Licenses and Permits	1,260,564	-	-	-	-	-	1,260,564
Intergovernmental Grants	1,457,997	-	-	-	-	-	1,457,997
Charges for Services	638,769	-	-	-	-	-	638,769
Fines and Forfeitures	267,374	-	-	-	-	-	267,374
Interest Income	51,268	30,282	17,939	165,765	67,247	26,100	358,601
Other Revenues	4,574,353	-	-	-	-	-	4,574,353
Total Revenues	10,982,069	95,819	11,767,338	165,765	67,247	26,100	23,104,338
Expenditures							
Current:							
General Government	6,189,425	20,334	135,118	650	-	-	6,345,527
Public Safety	3,937,339	-	-	-	-	-	3,937,339
Public Works	1,303,470	-	-	-	-	-	1,303,470
Cemetery	19,333	-	-	-	-	-	19,333
Capital Outlay	1,094,832	-	-	-	1,969,634	-	3,064,466
Debt Service	12,990	109,545	-	-	-	1,260,069	1,382,604
Total Expenditures	12,557,389	129,879	135,118	650	1,969,634	1,260,069	16,052,739
Excess (Deficiency) of Revenues Over Expenditures	(1,575,320)	(34,060)	11,632,220	165,115	(1,902,387)	(1,233,969)	7,051,599

The accompanying notes are an integral part of these financial statements.

CITY OF MANDEVILLE, LOUISIANA
Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended August 31, 2006

	General Fund	Tax Collector Fund	Sales Tax Fund	Special Sales Tax Fund	Street Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses):							
Proceeds from Community Disaster Loan	650,000	-	-	-	-	-	650,000
Transfers in	4,887,000	-	-	4,564,922	2,512,609	1,276,608	13,241,139
Transfers Out	-	-	(11,318,445)	(2,458,608)	-	(14,086)	(13,791,139)
Total Other Financing Sources (Uses)	5,537,000	-	(11,318,445)	2,106,314	2,512,609	1,262,522	100,000
Net Changes in Fund Balances	3,961,680	(34,060)	313,775	2,271,429	610,222	28,553	7,151,599
Fund Balances, Beginning of Year	2,265,098	712,520	79,077	2,420,814	1,946,179	1,891,183	9,314,871
Fund Balances, End of Year	\$ 6,226,778	\$ 678,460	\$ 392,852	\$ 4,692,243	\$ 2,556,401	\$ 1,919,736	\$ 16,466,470

The accompanying notes are an integral part of these financial statements.

CITY OF MANDEVILLE, LOUISIANA
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Government-Wide Financial Statement of Activities
For the Year Ended August 31, 2006

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances - Total Governmental Funds	\$ 7,151,599
Governmental funds report capital outlays as expenditures; however, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives through depreciation expense. This is the amount by which depreciation exceeded capital outlay charged in the current period.	(252,288)
In the Statement of Activities, the loss on the disposal of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the capital assets disposed.	(29,898)
Government funds report the proceeds from borrowings from the Community Disaster Loan Program as an other financing source; however, these borrowings are recognized as a liability in the Statement of Net Assets	(650,000)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	<u>975,000</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 7,194,413</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF MANDEVILLE, LOUISIANA
Statement of Net Assets
Proprietary Fund
August 31, 2006

Assets	
Current Assets	
Cash and Cash Equivalents	\$ 2,991,462
Investments	1,431,276
Receivables:	
Water and Sewer (Net)	213,011
Other	-
Total Current Assets	4,635,749
Long-Term Assets	
Inventory	81,003
Capital Assets (Net of Accumulated Depreciation)	26,986,513
Total Long-Term Assets	27,067,516
Total Assets	31,703,265
Liabilities	
Current Liabilities	
Accounts Payable and Accrued Liabilities	49,487
Due to Other Funds	1,816,862
Total Current Liabilities	1,866,349
Long-Term Liabilities	
Customer Deposits	270,450
Total Long-Term Liabilities	270,450
Total Liabilities	2,136,799
Net Assets	
Invested in Capital Assets, Net of Related Debt	26,986,513
Unrestricted Net Assets	2,579,953
Total Net Assets	\$ 29,566,466

The accompanying notes are an integral part of these financial statements.

CITY OF MANDEVILLE, LOUISIANA
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund
For the Year Ended August 31, 2006

Operating Revenues	
Charges for Services:	
Water Fees	\$ 1,133,169
Sewer Fees	1,451,102
Tapping Fees:	
Water Department	47,265
Sewer Department	28,299
Service Charges	18,825
Delinquent Charges	52,668
Sewer Inspection Fees	2,475
Miscellaneous	21,647
DHH Fees	12,534
Sewer Impact Fees	83,920
Water Inspection Fees	3,050
Water Impact Fees	89,006
Total Operating Revenues	2,943,960
Operating Expenses	
Water Department Expenses	1,487,870
Sewer Department Expenses	2,064,571
Total Operating Expenses	3,552,441
Operating Loss	(608,481)
Non-Operating Revenues (Expenses)	
Grant Income	901,830
Disaster Income	56,500
Interest Income	65,077
Loss on Disposal of Assets	(7,410)
Total Non-Operating Revenues	1,015,997
Change in Net Assetsw Before Operating Transfers	407,516
Operating Transfers	550,000
Change in Net Assets	957,516
Net Assets, Beginning of Year	28,608,950
Net Assets, End, of Year	\$ 29,566,466

The accompanying notes are an integral part of these financial statements.

CITY OF MANDEVILLE, LOUISIANA
Statement of Cash Flows
Proprietary Fund
For the Year Ended August 31, 2006

Cash Flows from Operating Activities	
Receipts from Customers and Users	\$ 3,074,899
Payments to Suppliers	(1,980,952)
Payments to Employees	(926,024)
Net Cash Provided by Operating Activities	167,923
Cash Flows from Noncapital Financing Activities	
Operating Grants Receipts	958,330
Transfers In	550,000
Net Proceeds from Borrowings from Other Funds	1,547,447
Net Cash Provided by Noncapital Financing Activities	3,055,777
Cash Flows from Capital and Related Financing Activities	
Purchase of Capital Assets	(1,248,886)
Payments for Capital Debt	(31,125)
Net Cash Used in Capital and Related Financing Activities	(1,280,011)
Cash Flows from Investing Activities	
Interest Received	65,077
Net Change in Investments	443,478
Net Cash Provided by Investing Activities	508,555
Net Increase in Cash and Cash Equivalents	2,452,244
Cash and Cash Equivalents, Beginning of Year	539,218
Cash and Cash Equivalents, End of Year	<u><u>\$ 2,991,462</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF MANDEVILLE, LOUISIANA
Statement of Cash Flows (Continued)
Proprietary Fund
For the Year Ended August 31, 2006

Reconciliation of Operating Loss to Net Cash Provided by
Operating Activities:

Operating Loss	\$ (608,481)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities	
Depreciation	711,588
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable, Net	129,355
Increase in Inventory	(26,273)
Decrease in Accounts Payable and Accrued Liabilities	(39,850)
Increase in Customer Deposits	<u>1,584</u>
Net Cash Provided by Operating Activities	<u>\$ 167,923</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

Notes to Financial Statements

Introduction

The City of Mandeville, Louisiana (the City) adopted the Home Rule Charter on November 16, 1985, under the provisions of Article VI, Section 5, of the Louisiana Constitution of 1974. The City operates under a Mayor-Council form of government and provides the following services as authorized by its charter: public safety, highways and streets, sanitation and utilities, health and social services, culture and recreation, public improvements, planning and zoning, and general administrative services.

The accounting and reporting policies of the City conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the *Louisiana Municipal Audit and Accounting Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*.

Note 1. Summary of Significant Accounting Policies

Reporting Entity

Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification) established criteria for determining the governmental reporting entity and component units that should be included with the reporting entity. For financial reporting purposes, in conformance with GASB Codification Section 2100, the City includes all funds which are controlled by or dependent on the City which was determined on the basis of oversight responsibility, including accountability for fiscal and budget matters, designation and management or governing authority, and authority to issue debt. Based on these criteria, the City has determined that there are no component units that are part of the reporting entity.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Government-Wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds and the City's proprietary fund. Most individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. This fund is used to account for all financial transactions and resources except those that are required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income.

Tax Collector Debt Service Fund (Tax Collector Fund) – The Tax Collector Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. Financing is being provided by Ad Valorem taxes.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)**

Sales Tax Special Revenue Fund (Sales Tax Fund) - The Sales Tax Fund is used to account for the receipt of proceeds of the City's 2.5% sales and use tax and the State, Parish and Municipal Motor Vehicle sales tax. This fund also accounts for the use of the City's 1% sales and use tax and the State, Parish and Municipal Motor Vehicle sales tax. This 1% tax is dedicated to capital expenditures for constructing, improving, extending and maintaining playgrounds and recreational facilities, public roads, streets, bridges and crossings, sewerage, garbage disposal, waterworks, fire protection, beach improvements, seawalls and extensions, harbor improvements and other works of permanent public improvements in the town. The remaining 1.5% sales and use tax and the State, Parish and Municipal Motor Vehicle sales tax is transferred 1% to the Special Sales Tax Fund and .5% to the Street Construction Fund.

Special Sales Tax Special Revenue Fund (Special Sales Tax Fund) - The Special Sales Tax Fund is used to account for 1% of the sales and use tax and the State, Parish and Municipal Motor Vehicle sales tax transferred from the Sales Tax Fund. One percent became effective January 1, 1987, and is to be used for the retirement of the 1999 Public Improvements Bonds for \$6,600,000 and for the retirement of the 2000 Sales Tax Refunding Bonds for \$4,915,000.

All monies remaining in the Special Sales Tax Fund on the 20th day of each month in excess of all reasonable and necessary expenses of collection and administration of the tax and after making the required payments into the Sinking Fund and the Reserve Fund for the current month and for prior months during which the required payments may not have been made, shall be considered surplus. Such surplus may be used by the issuer for any of the purposes for which the imposition of the tax is authorized or for the purpose of retiring bonds in advance of their maturities.

Street Construction Capital Projects Fund (Street Construction Fund) - The Street Construction Fund is used to account for the costs of constructing, acquiring, extending and improving (i) streets and/or (ii) roadside drains and roadside drainage facilities. Financing is provided by a pledge of revenue to be derived from the City's collection of a .5% sales tax transferred from the Sales Tax Fund.

The City has one proprietary fund to account for the water and sewer services it provides to the residents and businesses of the City.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's enterprise operations. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Principal operating revenues for the City's proprietary fund consist of charges to customers and users of its water and sewer services. Operating expenses for the City's proprietary fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Budgets and Budgetary Accounting

All proposed budgets must be completed and submitted to the City Council no later than fifteen days prior to the beginning of each fiscal year. The operating budget includes proposed expenditures and the means of financing them. The final budget must be adopted before the ensuing fiscal year begins.

The City adopted a line item budget on a basis consistent with accounting principles generally accepted in the United States of America for the following funds: General Fund, Special Revenue Funds, Capital Projects Funds and Enterprise Fund. A formal budget was not adopted for the Debt Service Funds because effective budgetary control is alternately achieved through general obligation bond provisions.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Budgets and Budgetary Accounting (Continued)

According to line item budgeting, actual expenditures for each line item may not exceed its corresponding budgeted amount. The budget may be amended under the same procedures as were followed under its adoption. The budgets presented have been amended.

Every appropriation, except an appropriation for a capital expenditure, shall lapse at the close of the fiscal year to the extent that it has not been expended or encumbered. An appropriation for a capital expenditure shall continue in force until the purpose for which it was made has been accomplished or abandoned; the purpose of any such appropriation shall be deemed abandoned if one (1) year passes without any disbursement from or encumbrance of the appropriation.

Deposits and Investments

Cash includes amounts in demand deposits as well as time certificates of deposit.

State Statutes authorize the City to invest in the following types of securities:

- (1) Direct U.S. Treasury obligations, the principal and interest of which are fully guaranteed by the U.S. Government.
- (2) Fully-collateralized certificates of deposit issued by qualified commercial banks and savings and loan institutions located within the State of Louisiana. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a non-profit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool.
- (3) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by federal agencies, or by U.S. Government instrumentalities which are federally sponsored, and provided such obligations are backed by the full faith and credit of the U.S. Government.
- (4) Direct repurchase agreements of any federal bank entry only securities enumerated in paragraphs (1) and (3) above. "Direct security repurchase agreement" means an agreement under which the political subdivision buys, holds for a specified time, and then sells back those securities and obligations enumerated in paragraphs (1) and (3) above.
- (5) Mutual or trust fund institutions which are registered with the Securities and Exchange Commission under the Securities Act of 1933, and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the U.S. Government or its agencies.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Deposits and Investments (Continued)

Short-term investments are stated at amortized cost, which approximates market. Certain investments, as required by Government Auditing Standards Board Statement No. 31 are reported at fair value, which is determined using selected bases.

Cash and Cash Equivalents consist of cash, as defined above, including restricted cash.

Inventories

Governmental fund type inventories are accounted for using the "purchases" method.

It was not practicable to determine the amount of governmental fund type inventories at August 31, 2006, and, therefore, such inventories are not reported in the accompanying governmental fund type financial statements as required by accounting principles generally accepted in the United States of America. In the opinion of management, such inventories would be immaterial to the financial statements.

There exist inventories of cemetery plots and mausoleum crypts of \$99 at August 31, 2006. These inventories are valued at cost.

Materials and supplies inventory of the proprietary fund are stated at the lower of cost or market, or at cost, determined by the first-in, first-out method.

Property Taxes

Property taxes are due on January 1st and delinquent if not paid by March 31st. Property on which the taxes have not been paid is adjudicated to the City after being offered for sale to the public. Receivables - Tax liens are reflected in the financial statements. Total property tax revenue for the year ended August 31, 2006, was \$1,958,359 and is recorded in the funds as follows:

General Fund	\$ 1,892,822
Tax Collector Debt Service Fund	<u>65,537</u>
	<u>\$ 1,958,359</u>

Accumulated Unpaid Vacation Leave and Sick Pay

A majority of employees may accrue annual leave up to a maximum of 30 days. At termination, employees are paid for any accumulated annual leave. No payment is made to terminated employees for accrued sick leave. The amount of accumulated annual leave payable in the accompanying financial statements at August 31, 2006, is \$400,766.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Outstanding balances between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/due from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "Internal Balances".

Uncollectible amounts due for customers' utility receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available, which would indicate the uncollectability of the particular receivable. The allowance is \$217,052 at August 31, 2006.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical costs are not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The City maintains a threshold level of \$5,000 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital outlays are recorded as expenditures of the General, Special Revenue, and Capital Projects Funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively to 1980. Effective in fiscal year 2004, interest incurred during construction is capitalized on a government-wide basis. Interest attributable to capitalized assets as of August 31, 2006, was immaterial. Depreciation is recorded on general fixed assets on a government-wide basis. Capital outlays of the Proprietary Funds are recorded as fixed assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the government-wide basis.

All capital assets, other than land, are depreciated using the straight-line method over the following estimated useful lives:

Description	Estimated Useful Lives
Roads, Bridges, and Infrastructure	20 – 40 Years
Land Improvements	20 Years
Buildings and Building Improvements	20 – 40 Years
Furniture and Fixtures	7 Years
Vehicles	5 Years
Equipment	3 – 20 Years

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Long-Term Obligations

In the government-wide financial statements, debt principal payments of both government and business-type activities are reported as decreases in the balance of the liability on the Statement of Net Assets. In the fund financial statements, however, debt principal payments of governmental funds are recognized as expenditures when paid.

Fund Equity

Government-Wide Statements

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net assets – Net assets with constraints placed on the use either by:
 - a. external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or
 - b. law through constitutional provisions or enabling legislation.
3. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved.

Interfund Transactions

Permanent re-allocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds except the Debt Service Funds which were not budgeted. All annual appropriations lapse at fiscal year-end.

The City was in compliance with the Local Budget Act. See Note 1 for the procedures the City follows regarding budgets and budgetary accounting.

The City does not utilize encumbrance accounting.

Note 2. Stewardship, Compliance and Accountability

Deposits and Investment Laws and Regulations

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. The City was in compliance with the deposits and investments laws and regulations.

Excess of Expenditures over Appropriations

The following individual funds had actual expenditures over budgeted appropriations for the year ended August 31, 2006:

Fund	Original Budget	Final Budget	Actual	Unfavorable Variance
Sales Tax Fund	<u>\$102,500</u>	<u>\$127,000</u>	<u>\$135,118</u>	<u>\$ 8,118</u>

The amount of expenditures recognized by the Sales Tax Fund is directly related to the amount of revenues it recognizes. For the year ended August 31, 2006, actual revenues exceeded budgeted revenues by \$752,338.

Deficit Fund Equity

As of August 31, 2006, no City funds had deficit fund equities.

Compliance with Debt Covenants

1. Compliance with Sales Tax Bond Covenants -

As of August 31, 2006, the City was in compliance with all Sales Tax Bond Covenants.

2. Compliance with Sewer Revenue Bond Covenants -

As of August 31, 2006, the City was in compliance with all Sewer Revenue Bond Covenants.

CITY OF MANDEVILLE, LOUISIANA
August 31, 2006

Notes to Financial Statements

Note 3. Cash and Cash Equivalents

At August 31, 2006, the City has cash and cash equivalents (book balances) totaling \$9,835,089 as follows:

Interest-Bearing Demand Deposits	\$ 9,892,837
Other	<u>1,050</u>
Total	<u>\$ 9,893,887</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank or through letters of credit issued by the Federal Home Loan Bank. The market value of the pledged securities plus the federal deposit insurance and letters of credit must at all times equal the amount on deposit with the fiscal agent.

At August 31, 2006, the City has \$11,117,776 (collected bank balances). These deposits are secured from risk by \$500,000 of federal deposit insurance, \$4,000,000 in letters of credit issued by the Federal Home Loan Bank, and \$6,381,196 of pledged securities held by the custodial bank in the name of the City and fiscal agent bank (GASB Category 2).

Louisiana Revised Statutes 39:1229 imposes a statutory requirement on the custodian bank to advertise and sell the pledged securities within 10 days of being notified by the City that the fiscal agent has failed to pay deposited funds upon demand.

Note 4. Investments

As of August 31, 2006, the City of Mandeville had the following investments:

Investment	Maturity Date	Fair Value
U.S. Agencies	September 2006	\$ 249,687
U.S. Agencies	December 2006	349,453
U.S. Agencies	February 2007	174,062
U.S. Agencies	March 2007	349,344
U.S. Agencies	April 2007	99,898
U.S. Agencies	May 2007	1,142,766
U.S. Agencies	August 2007	248,750
U.S. Agencies	September 2007	349,234
U.S. Agencies	November 2007	99,906
U.S. Agencies	March 2008	349,453
U.S. Agencies	April 2008	274,744
U.S. Agencies	May 2008	274,828
U.S. Agencies	August 2008	49,922
FNMA Zero Coupon Bonds	January 2007	270,133
FNMA Zero Coupon Bonds	June 2007	215,527
Louisiana Asset Management Pool	Not Applicable	<u>3,549,273</u>
Total		<u>\$ 8,046,980</u>

Notes to Financial Statements

Note 4. Investments (Continued)

In accordance with GASB Codification Section 150.126, the investment in LAMP at August 31, 2006, is not categorized in the three risk categories provided by GASB Codification Section 150.125 because the investment is in the pool of funds and, therefore, not evidenced by securities that exist in physical or book entry form.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities.

Effective August 1, 2001, LAMP's investment guidelines were amended to permit the investment in government-only money market funds. In its 2001 Regular Session, the Louisiana Legislature (Senate Bill No. 512, Act 701) enacted LSR-R.S. 33:2955(A)(1)(h), which allows all municipalities, parishes, school boards, and any other political subdivisions of the State to invest in "Investment grade (A-1/P-1) commercial paper of domestic United States corporations." Effective October 1, 2001, LAMP's Investment Guidelines were amended to allow the limited investment in A-1 or A-1+ commercial paper.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

Interest Rate Risk: The City of Mandeville does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk: As disclosed in Note 1, State Statutes limit the investment types in which the City may invest.

CITY OF MANDEVILLE, LOUISIANA
August 31, 2006

Notes to Financial Statements

Note 5. Receivables

The receivables, at net, at August 31, 2006, are as follows:

	General Fund	Debt Service Fund	Enterprise Fund	Total
Accounts Receivable, net	\$ 1,658	\$ -	\$ 213,011	\$214,669
Ad Valorem Taxes	-	1,640	-	1,640
Other	2,553	-	-	2,553
	<u>\$ 4,211</u>	<u>\$ 1,640</u>	<u>\$ 213,011</u>	<u>\$218,862</u>

Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Total allowance for doubtful accounts amounted to \$-0- for Governmental Activities and \$217,052 for the Business-Type Activities.

Note 6. Interfund Receivables/Payables

The primary purpose of interfund receivables/payables is to loan monies from the General Fund to individual funds to cover current expenditures. Individual fund balances due from/to other funds at August 31, 2006 are as follows:

Fund	Due From Other Funds	Due To Other Funds
General Fund	\$2,403,129	\$ -
Tax Collector Debt Service Fund	-	586,267
Special Sales Tax Fund	13,758	-
Bond Reserve Fund	-	13,758
Enterprise Fund	-	1,816,862
	<u>\$2,416,887</u>	<u>\$2,416,887</u>

CITY OF MANDEVILLE, LOUISIANA
August 31, 2006

Notes to Financial Statements

Note 7. Capital Assets

The following is a summary of the changes in capital assets for the fiscal year ended August 31, 2006:

Governmental Activities	Restated Balance August 31, 2005	Increases	Decreases	Balance August 31, 2006
Capital Assets Not Depreciated:				
Land	\$ 1,804,837	\$ 92,188	\$ 554	\$ 1,896,471
Capital Assets Being Depreciated:				
Infrastructure - Streets	31,063,924	1,765,803	-	32,829,727
Trace and Trailhead	3,010,693	71,455	-	3,082,148
Drainage	4,621,723	384,901	-	5,006,624
Vehicles	1,672,817	287,948	76,134	1,884,631
Equipment	848,817	247,943	17,597	1,079,163
Buildings	1,962,673	10,819	-	1,973,492
Office Equipment and Furniture	347,550	-	288,101	59,449
Harbor	287,206	-	-	287,206
Total Capital Assets Being Depreciated	43,815,403	2,768,869	381,832	46,202,440
Less Accumulated Depreciation for:				
Infrastructure - Streets	20,154,501	2,388,660	-	22,543,161
Trace and Trailhead	383,704	86,419	-	470,123
Drainage	710,747	127,495	-	838,242
Vehicles	1,070,102	182,363	76,134	1,176,331
Equipment	430,125	76,304	17,597	488,832
Buildings	1,218,154	14,454	-	1,232,608
Office Equipment and Furniture	305,395	231,908	258,757	278,546
Harbor	52,175	5,744	-	57,919
Total Accumulated Depreciation	24,324,903	3,113,347	352,488	27,085,762
Total Capital Assets Being Depreciated, Net	19,490,500	(344,478)	29,344	19,116,678
Totals	\$ 21,295,337	\$ (252,290)	\$ 29,898	\$ 21,013,149

CITY OF MANDEVILLE, LOUISIANA
August 31, 2006

Notes to Financial Statements

Note 7. Capital Assets (Continued)

Depreciation was charged to governmental functions as follows:

Infrastructure – Street Construction	\$2,521,325
Public Safety – Police	211,841
Public Works – Street Maintenance	261,904
General Government – City Hall	<u>118,277</u>
Total	<u>\$3,113,347</u>

The following is a summary of changes in capital assets for business-type activities for the fiscal year ended August 31, 2006:

Business-Type Activities	Balance August 31, 2005	Increases	Decreases	Balance August 31, 2006
Land	\$ 1,410,291	\$166,775	\$ -	\$ 1,577,066
Buildings	753,472	124,048	-	877,520
Water Wells, Lines and Tower	15,745,066	223,307	9,157	15,959,216
Sewer Lines	12,679,449	511,273	-	13,190,722
Equipment and Vehicles	1,011,340	223,483	39,228	1,195,595
Wastewater Treatment Plant	<u>2,760,008</u>	<u>-</u>	<u>-</u>	<u>2,760,008</u>
	34,359,626	1,248,886	48,385	35,560,127
Less: Accumulated Depreciation for Buildings and Equipment	<u>7,902,999</u>	<u>711,588</u>	<u>40,975</u>	<u>8,573,612</u>
Total	<u>\$26,456,627</u>	<u>\$537,298</u>	<u>\$ 7,410</u>	<u>\$26,986,515</u>

Capital outlays are reported as expenditures in the governmental funds; however, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. The adjustment from governmental funds to the government-wide statements is summarized as follows:

Primary Government	
Capital Outlay	\$2,861,057
Depreciation Expense	<u>(3,113,347)</u>
Total Adjustment	<u>\$ (252,290)</u>

Notes to Financial Statements

Note 8. Employee Pension Plan

Municipal Employees Retirement System of Louisiana (MERS)

Plan Description and Provisions:

All of the City's full-time employees, other than police employees, participate in the MERS, a multiple-employer, cost sharing pension plan.

Employees can retire providing they meet one of the following criteria:

1. 25 years or more service, at any age
2. 10 years or more service, at age 60 or thereafter
3. Has at least five years of service credit towards the plan, is not eligible for normal retirement benefits, suffers disability, and is approved by the board of trustees after medical review and is eligible to retire and receive disability retirement benefits
4. Survivor's benefits require five years creditable service at death of member.

Generally, the monthly amount of the retirement allowance for any member shall consist of an amount equal to 3% of the member's final compensation multiplied by his years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

If a member's employment is terminated before the member is eligible for any benefits under MERS, the member shall receive a refund of his member contributions.

Description of Funding Policy:

The System's contribution requirements are not actuarially determined. Instead, the contribution requirements are currently established by statute. As of July 1, 2006, the statutory rates were 9.25% member contribution and 16.25% employer contribution of the total covered payroll. For the period of July 1, 2005 through June 30, 2006, the employer's contribution rate was 16.00%. The City has elected to pay the member contribution as an additional benefit to City employees. The City's contribution requirement for the years ended August 31, 2006, 2005 and 2004, was \$295,510, \$328,389 and \$299,498, which represents 16.04%, 16.00% and 15.00%, respectively, equal to the required contributions for each year.

Trend Information:

Five-year historical trend information presenting the MERS' progress in accumulating sufficient assets to pay benefits when due is presented in the MERS June 30, 2005, annual financial report. The MERS June 30, 2006, annual financial report was not available as of the date of this audit report. That report may be obtained by writing to MERS at 7937 Office Park Blvd., Baton Rouge, LA 70809.

Notes to Financial Statements

Note 8. Employee Pension Plan (Continued)

Municipal Police Employees Retirement System of Louisiana (MPERS)

Plan Description and Provision:

A majority of the City's full-time police officers participate in the MPERS, a multiple-employer, cost sharing pension plan.

Any member is eligible for normal retirement after he or she has been a member of MPERS for one year, if he or she has 25 years of creditable service at any age or has 20 years creditable service and is age 50, or has 12 years creditable service and is age 55.

Benefit rates are three and one-third percent of average final compensation (average monthly earnings during the highest 36 consecutive months or joined months if service was interrupted) per number of years creditable service not to exceed 100% of final salary.

A member is eligible to receive disability benefits if he or she was an active contributing member of MPERS or, if he or she is no longer a member but has 20 years creditable service established in the MPERS and suffers disability, which has been certified by examination by a member of the State-wide Medical Disability Board. A service related disability requires no certain number of years of creditable service, however, a non-service connected disability requires five years of creditable service.

The disability benefits are calculated at three percent of average final compensation multiplied by years of creditable service, but shall not be less than 40% or more than 60% of average final compensation. Upon reaching the age required for regular retirement, the disability pensioner receives the greater of disability benefit or accrued benefit earned to date of disability.

Upon the death of an active contributing member, or disability retiree, the plan provides benefits for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from 40-60% of the member's average final compensation.

Description of Funding Policy:

Effective July 1, 2006, contributions for all member employees are established by statute at 7.5% of employee's earnable compensation excluding overtime, but including state supplemental pay and 15.50% employer contribution. Prior to July 1, 2005, the employer's contribution rate was 16.25%. The City has elected to pay the member contribution as an additional benefit to City police employees. The City's contribution requirements for the years ended August 31, 2006, 2005 and 2004, were \$288,443 \$275,338 and \$220,538, respectively, which represents between 15% and 22% of covered payroll.

Trend Information:

Six-year historical trend information presenting the MPERS' progress in accumulating sufficient assets to pay benefits when due is presented in the MPERS June 30, 2005 annual financial statements. That report may be obtained by writing to MPERS at 8550 United Plaza Blvd., Suite 501, Baton Rouge, LA 70809.

Notes to Financial Statements

Note 9. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. An independent plan administrator through an administrative service agreement administers the plan. The City's administrative involvement is limited to transmitting amounts withheld to the plan administrator who performs investing functions.

Plan assets are held in trust for the exclusive benefit of the participants and their beneficiaries. The assets will not be diverted to any other purpose. Accordingly, the plan assets and related liabilities have not been included herein.

Note 10. Accumulated Unpaid Vacation Leave and Sick Pay

A majority of employees may accrue annual leave up to a maximum of 30 days. At termination, employees are paid for any accumulated annual leave. No payment is made to terminated employees for accrued sick leave. The amount of accumulated annual leave payable in the accompanying government-wide financial statements at August 31, 2006, is \$400,766. This is comprised of \$373,442 in the Governmental Funds (General Fund), of which approximately \$37,300 is considered a current obligation, and \$27,324 in the Business-Type Fund (Enterprise Fund), of which \$2,700 is considered current.

Note 11. Mausoleum Endowed Care Trust Fund

The City entered into an agreement with the Citizens Bank and Trust Company on June 24, 1966, creating "Lake Lawn Park, Inc., Endowed Care Trust, Town of Mandeville". This Trust Fund was created to provide for the maintenance and care of the mausoleum. On July 19, 1991, the account was transferred to the Whitney National Bank Trust Division upon the closing of the Trust Department at Citizens Bank. On November 30, 2005, the account was transferred to Argent Trust.

The Trust Fund can make disbursements to the City "upon presentation to the company of an itemized and notarized statement of maintenance expenses and costs approved and signed by the mayor". This account is not reflected on the financial statements because the Trust Fund is not considered a part of the reporting entity and is not significant in total.

CITY OF MANDEVILLE, LOUISIANA
August 31, 2006

Notes to Financial Statements

Note 12. Long-Term Liabilities

The following is a summary of long-term liabilities transactions and total long-term liabilities of the City for the year ended August 31, 2006:

	General Obligation	Water Revenue	Total
Bonds and Certificates Payable at September 1, 2005	\$ 9,060,000	\$ 30,000	\$ 9,090,000
Bonds Issued	-	-	-
Bonds Retired	(975,000)	(30,000)	(1,005,000)
Bonds and Certificates Payable at August 31, 2006	<u>\$ 8,085,000</u>	<u>\$ -</u>	8,085,000
Compensated Absences			<u>400,766</u>
Total Long-Term Debt			<u>\$ 8,485,766</u>

General Obligation Bonds Retirement Schedule

Sales Tax Bonds	Payment Dates	Interest			Annual Serial Payments	
		Year or Certificate Number	% Rate	Years	Amount	Balance
Series 2000, Issued 09/14/00 for \$4,915,000 (Refunding Series 1990 and 1991 Sales Tax Bonds) Payable from Special 1% Sales Tax	1/1 and 7/1	2007 2008 2009	4.45 4.50 4.50	2007 2008 2009	\$ 645,000 685,000 725,000	\$ 645,000 685,000 725,000
						<u>2,055,000</u>

CITY OF MANDEVILLE, LOUISIANA
August 31, 2006

Notes to Financial Statements

Note 12. Long-Term Liabilities (Continued)

General Obligation Bonds Retirement Schedule (Continued)

Sales Tax Bonds	Payment Dates	Interest		Years	Annual Serial Payments	
		Year or Certificate Number	% Rate		Amount	Balance
Series 1999. Issued						
09/01/99 for \$6,600,000	1/1 and					
(Water Improvements)	7/1	2007	4.55	2007	285,000	285,000
Payable from Special		2008	4.60	2008	300,000	300,000
1% Sales Tax		2009	4.65	2009	315,000	315,000
		2010	4.75	2010	335,000	335,000
		2011	4.85	2011	350,000	350,000
		2012	4.90	2012	370,000	370,000
		2013	5.00	2013	390,000	390,000
		2014	5.00	2014	410,000	410,000
		2015	5.00	2015	435,000	435,000
		2016	5.00	2016	455,000	455,000
		2017	5.10	2017	480,000	480,000
		2018	5.13	2018	510,000	510,000
		2019	5.13	2020	535,000	535,000
						<u>5,170,000</u>
Water Improvement Bonds						
Bonds Issued 08/18/2003 for	2/1 and					
\$1,035,000, Payable from	8/1	2007	2.00	2007	85,000	85,000
Ad Valorem Taxes		2008	2.15	2008	95,000	95,000
		2009	2.25	2009	100,000	100,000
		2010	2.65	2010	105,000	105,000
		2011	2.90	2011	110,000	110,000
		2012	3.15	2012	115,000	115,000
		2013	3.25	2013	120,000	120,000
		2014	3.40	2014	130,000	130,000
						<u>860,000</u>
Total General Obligation Bonds						<u>\$ 8,085,000</u>

CITY OF MANDEVILLE, LOUISIANA
August 31, 2006

Notes to Financial Statements

Note 12. Long-Term Liabilities (Continued)

Principal and Interest Repayment Schedule

Year Ending August 31,	General Obligation Bonds
2007	\$ 1,364,344
2008	1,384,325
2009	1,396,230
2010	662,121
2011	662,691
2012-2017	3,104,958
2018-2019	<u>1,644,993</u>
	<u><u>\$ 10,219,662</u></u>

During the year ended August 31, 2006, the City obtained a Special Community Disaster Loan through the Federal Emergency Management Agency. The approved loan amount is \$2,030,000, from which the City has drawn \$650,000. The loan bears interest at 2.69% and is due November 30, 2010.

CITY OF MANDEVILLE, LOUISIANA
August 31, 2006

Notes to Financial Statements

Note 13. Interfund Transfers

Operating transfers between funds consist primarily of sales tax revenues transferred out of the Sales Tax Fund and Special Sales Tax Fund to the particular funds for which the sales tax revenue is to be used.

	Transfers In	Transfers Out
Governmental Funds		
Major Funds:		
General Fund	\$ 4,887,000	\$ -
Sales Tax Fund	-	11,318,445
Special Sales Tax Fund	4,564,922	2,458,608
Street Construction Fund	2,512,609	-
Non-Major Funds:		
Bond Sinking Fund	1,276,608	-
Bond Reserve Fund	-	14,086
Total Governmental Funds	13,241,139	13,791,139
Proprietary Funds	550,000	-
Total All Funds	<u>\$13,791,139</u>	<u>\$13,791,139</u>

Note 14. Reserved Fund Balances

The reserved fund balances as of August 31, 2006, are as follows:

Reserved for Debt Service

This reserve represents the amounts reserved for payment of principal and interest maturing in future years on bonded debt.

Reserved for Inventory

This reserve was established for inventories of cemetery plots and mausoleum crypts.

Note 15. Contingent Liabilities

The City is a defendant in several lawsuits, which are currently pending. The City persists in its vigorous defense of these lawsuits and maintains that the defenses available should shield the City from liability or, at a minimum, preclude the amount of damages sought by the plaintiffs. The majority of the cases are covered by insurance and, in the opinion of legal counsel for the City, the ultimate resolutions of these cases will not result in a significant liability to the City.

Notes to Financial Statements

Note 16. Risk of Loss

The City of Mandeville is exposed to various risks of loss related to damage and destruction of assets, errors and omissions, and injuries to employees. The City has contracted with various insurers to cover its risk of loss in these areas.

The City has also contracted with various insurers to provide health insurance coverage for its workers.

Note 17. Recent Reporting and Disclosure Developments

As of August 31, 2006, the Governmental Accounting Standards Board has issued several statements not yet implemented by the City. The Statements, which might impact the City, are as follows:

Governmental Accounting Standards Board Statement No. 43 (GASB 43)

GASB 43, *Financial Reporting for Post Employment Benefit Plans Other Than Pension Plans*, becomes effective during fiscal year 2008. In addition to pensions, many state and local governmental employers provide other post employment benefits (OPEB) as part of the total compensation offered to attract and retain services of qualified employees. OPEB includes post employment healthcare, as well as other forms of post employment benefits (for example, life insurance) when provided separately from a pension plan.

The standards in this Statement apply for OPEB trust funds included in the financial reports of plan sponsors or employers, as well as for the stand-alone financial reports of OPEB plan or the public employee retirement systems, or other third parties, that administer them. This Statement also provides requirements for: reporting of OPEB funds by administrators of multiple-employer OPEB plans, when the fund used to accumulate assets and pay benefits or premiums when due is not a trust fund. Management has not evaluated the effect of adoption of this Statement on the financial statements.

Notes to Financial Statements

Note 17. Recent Reporting and Disclosure Developments (Continued)

Governmental Accounting Standards Board Statement No. 45 (GASB 45)

GASB 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*, becomes effective during fiscal year 2009. This statement addresses how state and local governments should account for and report costs and obligations related to post employment benefits (OPEB). Management has not evaluated the effect of adopting this Statement.

Governmental Accounting Standards Board Statement No. 47 (GASB 47)

GASB 47, *Accounting for Termination Benefits*, becomes effective during fiscal year 2009. This statement provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees that are involuntarily terminated. Management has not evaluated the effect of adopting this statement.

REQUIRED SUPPLEMENTAL INFORMATION (PART II)
BUDGETARY COMPARISON SCHEDULES

CITY OF MANDEVILLE, LOUISIANA
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended August 31, 2006

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Favorable/ (Unfavorable)
Revenues				
Taxes	\$ 2,550,000	\$ 2,710,000	\$ 2,731,744	\$ 21,744
Licenses and Permits	1,136,500	1,251,500	1,260,564	9,064
Intergovernmental Grants	-	2,426,500	1,457,997	(968,503)
Charges for Services	669,000	659,000	638,769	(20,231)
Fines and Forfeitures	260,000	240,000	267,374	27,374
Interest Income	35,000	45,000	51,268	6,268
Miscellaneous	212,000	4,810,500	4,574,353	(236,147)
Total Revenues	4,862,500	12,142,500	10,982,069	(1,160,431)
Expenditures				
Current:				
General Government	2,983,500	7,321,500	6,189,425	1,132,075
Public Safety - Police	3,730,500	4,210,500	3,937,339	273,161
Public Works - Streets and Sanitation	1,598,500	1,677,500	1,303,470	374,030
Cemetery	20,000	20,000	19,333	667
Capital Outlay	467,500	3,454,500	1,094,832	2,359,668
Debt Service	-	2,230,000	12,990	2,217,010
Total Expenditures	8,800,000	18,914,000	12,557,389	6,356,611
Deficiency of Revenues Under Expenditures	(3,937,500)	(6,771,500)	(1,575,320)	5,196,180
Other Financing Sources (Uses)				
Other Sources - CDL	-	2,030,000	650,000	(1,380,000)
Operating Transfers In (Out):				
Sales Tax Fund	3,543,500	4,255,000	4,255,000	-
Special Sales Tax Fund	450,000	632,000	632,000	-
Total Other Financing Sources (Uses)	3,993,500	6,917,000	5,537,000	(1,380,000)
Net Change in Fund Balance	56,000	145,500	3,961,680	3,816,180
Fund Balance, Beginning of Year	1,000,000	2,130,000	2,265,098	135,098
Fund Balance, End of Year	\$ 1,056,000	\$ 2,275,500	\$ 6,226,778	\$ 3,951,278

CITY OF MANDEVILLE, LOUISIANA
Budgetary Comparison Schedule
General Fund
For the Year Ended August 31, 2006

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Favorable/ (Unfavorable)
Taxes				
Ad Valorem	\$ 1,850,000	\$ 1,950,000	\$ 1,892,822	\$ (57,178)
Franchise	700,000	760,000	838,922	78,922
Total Taxes	2,550,000	2,710,000	2,731,744	21,744
Licenses and Permits				
Building Permits	120,000	220,000	237,142	17,142
Insurance Licenses	500,000	500,000	472,100	(27,900)
Privilege and Occupational Licenses	457,000	465,000	482,772	17,772
Contractors' Licenses	14,000	21,000	21,290	290
Beer and Liquor Licenses	45,000	45,000	47,245	2,245
Dog Licenses	500	500	15	(485)
Total Licenses and Permits	1,136,500	1,251,500	1,260,564	9,064
Intergovernmental				
Federal and State Grants	-	2,426,500	1,457,997	(968,503)
Total Intergovernmental	-	2,426,500	1,457,997	(968,503)
Charges for Services				
Garbage Fees	625,000	625,000	618,095	(6,905)
Sale of Cemetery Plots	22,000	22,000	16,103	(5,897)
Tax Research	-	-	-	-
Zoning Fees	20,000	10,000	4,018	(5,982)
Culvert Fees	2,000	2,000	553	(1,447)
Total Charges for Services	669,000	659,000	638,769	(20,231)
Fines and Forfeitures	260,000	240,000	267,374	27,374
Interest Income	35,000	45,000	51,268	6,268
Miscellaneous				
Miscellaneous	75,000	85,000	99,405	14,405
Hurricane	-	4,543,500	4,297,056	(246,444)
Donation	4,000	4,000	8,000	4,000
Sale of Property/Equipment	3,000	10,000	6,300	(3,700)
Keep Mandeville Beautiful	6,000	6,000	5,184	(816)
Community Center	4,000	25,000	26,120	1,120
Dispatch Income	120,000	137,000	132,288	(4,712)
Total Miscellaneous	212,000	4,810,500	4,574,353	(236,147)
Total Revenues	\$ 4,862,500	\$ 12,142,500	\$ 10,982,069	\$ (1,160,431)

CITY OF MANDEVILLE, LOUISIANA
Budgetary Comparison Schedule
General Fund
For the Year Ended August 31, 2006

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Favorable/ (Unfavorable)
General Government				
Salaries, Overtime and Vacation	\$ 878,000	\$ 928,000	\$ 941,642	\$ (13,642)
Payroll Taxes	67,000	71,000	66,518	4,482
Retirement	217,500	217,500	207,641	9,859
Employee Medical Insurance	204,000	204,000	184,963	19,037
Workmen's Compensation	7,500	9,000	3,485	5,515
Audit and Accounting	24,000	24,000	24,000	-
Magistrate Retainer	12,000	12,000	12,000	-
City Engineer Retainer	6,000	6,000	6,000	-
Engineer Fees - Special Projects	75,000	91,000	87,326	3,674
Computer Programs and Supplies	88,000	119,500	85,418	34,082
Membership, Dues and Subscriptions	21,000	21,000	18,324	2,676
Stationary and Printing	10,500	10,500	5,428	5,072
Utilities	50,000	70,000	65,569	4,431
Telephone	30,000	30,000	18,550	11,450
Advertising	17,000	17,000	11,591	5,409
General Insurance	35,000	35,000	9,963	25,037
Janitorial Service and Supplies	29,500	29,500	29,052	448
Insurance - Property	11,000	11,000	7,923	3,077
Miscellaneous	2,000	2,000	1,278	722
Office Supplies	19,000	19,000	12,188	6,812
City Hall Maintenance	22,000	22,000	5,007	16,993
Recreation - Equipment Maintenance	5,000	25,000	21,425	3,575
Community Center	26,000	26,000	19,079	6,921
Parks and Parkways	50,000	56,000	71,105	(15,105)
Recording Fees	5,000	5,000	1,826	3,174
Trailhead	15,000	15,000	11,624	3,376
Coroner Fees	6,000	6,000	-	6,000
Keep Mandeville Beautiful	33,000	41,500	20,934	20,566
Postage	12,500	12,500	9,178	3,322
Banquets	7,000	7,000	5,439	1,561
Travel, Meetings and Conferences	20,000	20,000	7,075	12,925
Decorations and Beautification	13,500	28,500	24,451	4,049
Social Service Programs	22,000	22,000	12,500	9,500
Council on Aging	2,500	2,500	2,500	-
Economic Development Council	6,000	6,000	5,000	1,000
Animal Control	24,000	39,000	28,130	10,870
Humanities	6,000	6,000	6,000	-

Schedule 2 (Continued)

CITY OF MANDEVILLE, LOUISIANA
Budgetary Comparison Schedule
General Fund
For the Year Ended August 31, 2006

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Favorable/ (Unfavorable)
General Government (Continued)				
Youth Service	10,000	10,000	10,000	-
Mayor Allowance	7,500	8,500	8,488	12
Planning and Zoning Meeting Fees	8,500	8,500	8,413	87
Council Meeting Fees	60,000	60,000	60,000	-
Car Allowance	500	500	361	139
Civil Service	3,000	4,000	4,216	(216)
Uniforms	6,000	6,000	3,971	2,029
Fuel, Oil and Lube	10,500	16,500	16,429	71
Insurance - Vehicle	5,500	5,500	6,000	(500)
Vehicle Maintenance	6,000	15,000	14,031	969
Maintenance of Equipment	3,000	3,000	1,475	1,525
Equipment Rental	10,000	12,000	11,414	586
Contract Labor	122,000	211,000	162,109	48,891
Training	13,500	13,500	6,608	6,892
Garbage Collection Fees	603,000	603,000	594,819	8,181
Hurricane Expense	-	4,042,500	3,198,923	843,577
General Liability Claims	35,000	35,000	32,036	2,964
Total General Government	\$ 2,983,500	\$ 7,321,500	\$ 6,189,425	\$ 1,132,075

Schedule 2 (Continued)

CITY OF MANDEVILLE, LOUISIANA
Budgetary Comparison Schedule
General Fund
For the Year Ended August 31, 2006

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Favorable/ (Unfavorable)
Public Safety				
Salaries, Overtime and Vacation	\$ 2,044,500	\$ 2,375,500	\$ 2,300,860	\$ 74,640
Payroll Taxes	166,000	191,000	183,754	7,246
Retirement	449,000	449,000	422,803	26,397
Insurance - Employee Medical	470,000	470,000	419,864	50,136
Workmen's Compensation	91,500	102,500	46,633	55,867
Computer Supplies	74,000	74,000	73,529	471
Dues and Subscription	3,000	3,000	2,476	524
Printing	2,500	2,500	2,454	46
Utilities	22,000	32,000	30,580	1,420
Telephone	32,000	32,000	17,139	14,861
Insurance - Police Professional	36,000	36,000	21,205	14,795
Janitorial	15,000	15,000	14,594	406
Insurance - Building	14,000	14,000	13,927	73
Office Supplies	12,000	12,000	10,711	1,289
Building Maintenance and Repair	8,500	19,500	19,584	(84)
Postage	4,000	4,000	3,960	40
Conferences and Conventions	5,000	5,000	4,957	43
Crime Prevention	14,500	21,000	20,590	410
Civil Service	4,000	7,000	6,359	641
Maintenance of Radios and Radar	10,000	40,000	33,578	6,422
Uniforms	20,000	27,500	23,712	3,788
Fuel, Oil and Lube	77,000	116,000	116,304	(304)
Vehicle and Equipment Insurance	29,000	29,000	25,361	3,639
Maintenance and Repairs of Vehicles	50,000	55,000	60,274	(5,274)
Equipment Maintenance and Repair	1,500	1,500	1,044	456
Crime Investigation	3,000	3,000	2,950	50
Police Supplies	14,500	14,500	13,823	677
Equipment Rental	7,000	8,000	7,312	688
Contract Labor	25,000	25,000	11,463	13,537
Schools and Training Course	25,000	25,000	24,796	204
Prisoner Expense	1,000	1,000	943	57
Total Public Safety	\$ 3,730,500	\$ 4,210,500	\$ 3,937,339	\$ 273,161

Schedule 2 (Continued)

CITY OF MANDEVILLE, LOUISIANA
Budgetary Comparison Schedule
General Fund
For the Year Ended August 31, 2006

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Favorable/ (Unfavorable)
Public Works				
Salaries and Vacation	\$ 614,000	\$ 643,000	\$ 573,891	\$ 69,109
Payroll Taxes	47,000	49,000	42,441	6,559
Retirement	150,500	150,500	129,014	21,486
Insurance - Employee Medical	188,000	188,000	130,613	57,387
Workmen's Compensation	51,500	52,500	13,646	38,854
Computers	10,000	16,000	8,500	7,500
Memberships	500	500	-	500
Utilities	110,000	134,000	131,762	2,238
Telephone	6,000	6,000	4,641	1,359
Insurance - General	9,000	9,000	4,633	4,367
Insurance - Property	11,000	11,000	7,750	3,250
Office Supplies	3,000	3,000	2,171	829
Building Maintenance	4,000	4,000	3,795	205
Canal and Drainage Maintenance	12,000	12,000	7,728	4,272
Travel, Conv., Conf.	1,000	1,000	-	1,000
Radio Maintenance	2,000	2,000	-	2,000
Uniforms	5,500	5,500	3,440	2,060
Fuel, Oil and Lube	40,000	48,000	47,931	69
Vehicle and Equipment Insurance	13,000	13,000	2,454	10,546
Maintenance of Vehicles	25,000	25,000	16,107	8,893
Equipment Maintenance	33,500	42,500	41,353	1,147
Equipment Rental	1,000	1,000	172	828
Contract Labor	20,000	20,000	14,303	5,697
Supplies	30,000	30,000	28,868	1,132
Mosquito and Pest Control	1,000	1,000	651	349
Signs and Lights	11,000	11,000	6,775	4,225
Sand, Asphalt and Gravel	100,000	100,000	37,582	62,418
Prisoner Expense	99,000	99,000	43,249	55,751
Total Public Works	\$ 1,598,500	\$ 1,677,500	\$ 1,303,470	\$ 374,030
Capital Outlays				
General Government	\$ -	\$ 1,952,000	\$ 276,148	\$ 1,675,852
Public Safety	117,500	313,500	277,129	36,371
Public Works	350,000	1,189,000	541,555	647,445
Total Capital Outlays	\$ 467,500	\$ 3,454,500	\$ 1,094,832	\$ 2,359,668

CITY OF MANDEVILLE, LOUISIANA
Budgetary Comparison Schedule
Sales Tax Fund
For the Year Ended August 31, 2006

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Favorable/ (Unfavorable)
Revenues				
Taxes:				
Sales and Use	\$ 8,900,000	\$ 11,000,000	\$ 11,749,399	\$ 749,399
Interest Income	5,000	15,000	17,939	2,939
Total Revenues	8,905,000	11,015,000	11,767,338	752,338
Expenditures				
General Government				
Miscellaneous	-	-	-	-
Collection Expense	102,500	127,000	135,118	(8,118)
Total Expenditures	102,500	127,000	135,118	(8,118)
Excess of Revenues Over Expenditures	8,802,500	10,888,000	11,632,220	744,220
Other Financing Sources (Uses):				
Operating Transfers:				
General Fund	(3,543,500)	(4,255,000)	(4,255,000)	-
Special Sales Tax	(3,448,500)	(4,262,500)	(4,550,836)	(288,336)
Capital Projects - Streets	(1,900,500)	(2,349,500)	(2,512,609)	(163,109)
Total Other Financing Sources (Uses)	(8,892,500)	(10,867,000)	(11,318,445)	(451,445)
Net Change in Fund Balance	(90,000)	21,000	313,775	292,775
Fund Balance, Beginning of Year	100,000	79,000	79,077	77
Fund Balance, End of Year	\$ 10,000	\$ 100,000	\$ 392,852	\$ 292,852

CITY OF MANDEVILLE, LOUISIANA
Budgetary Comparison Schedule
Special Sales Tax Fund
For the Year Ended August 31, 2006

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Favorable/ (Unfavorable)
Revenues				
Interest Income	\$ 50,000	\$ 120,000	\$ 165,765	\$ 45,765
Total Revenues	<u>50,000</u>	<u>120,000</u>	<u>165,765</u>	<u>45,765</u>
Expenditures				
General Government				
Miscellaneous	1,000	1,000	650	350
Total Expenditures	<u>1,000</u>	<u>1,000</u>	<u>650</u>	<u>350</u>
Excess of Revenues Over Expenditures	<u>49,000</u>	<u>119,000</u>	<u>165,115</u>	<u>46,115</u>
Other Financing Sources (Uses):				
Operating Transfers:				
Sales Tax	3,448,500	4,262,500	4,550,836	288,336
Enterprise Fund	(2,135,000)	(2,550,000)	(550,000)	2,000,000
Bond Sinking Fund	(1,277,000)	(1,277,000)	(1,276,608)	392
Bond Reserve Fund	34,000	34,000	14,086	(19,914)
General Fund	(450,000)	(632,000)	(632,000)	-
Total Other Financing Sources (Uses)	<u>(379,500)</u>	<u>(162,500)</u>	<u>2,106,314</u>	<u>2,268,814</u>
Net Change in Fund Balance	<u>(330,500)</u>	<u>(43,500)</u>	<u>2,271,429</u>	<u>2,314,929</u>
Fund Balance, Beginning of Year	<u>2,079,000</u>	<u>2,420,500</u>	<u>2,420,814</u>	<u>314</u>
Fund Balance, End of Year	<u>\$ 1,748,500</u>	<u>\$ 2,377,000</u>	<u>\$ 4,692,243</u>	<u>\$ 2,315,243</u>

CITY OF MANDEVILLE, LOUISIANA
Budgetary Comparison Schedule
Capital Projects - Street Construction Fund
For the Year Ended August 31, 2006

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Favorable/ (Unfavorable)
Revenues				
Grants	\$ -	\$ -	\$ -	\$ -
Interest	50,000	60,000	67,247	7,247
Total Revenues	50,000	60,000	67,247	7,247
Expenditures				
Construction Costs	1,742,000	3,944,000	1,889,410	2,054,590
Engineers Fees	193,500	396,500	80,031	316,469
Other Costs	15,000	15,000	193	14,807
Total Expenditures	1,950,500	4,355,500	1,969,634	2,385,865
Deficiency of Revenues Over Expenditures	(1,900,500)	(4,295,500)	(1,902,387)	2,393,113
Other Financing Sources (Uses)				
Operating Transfers:				
Sales Tax	1,900,500	2,349,500	2,512,609	163,109
General Fund	-	-	-	-
Total Other Financing Sources (Uses)	1,900,500	2,349,500	2,512,609	163,109
Net Change in Fund Balance	-	(1,946,000)	610,222	2,556,222
Fund Balance, Beginning of Year	-	1,946,000	1,946,179	179
Fund Balance, End of Year	\$ -	\$ -	\$ 2,556,401	\$ 2,556,401

OTHER SUPPLEMENTAL INFORMATION

CITY OF MANDEVILLE, LOUISIANA
Combining Balance Sheet
Non-Major Governmental Funds
August 31, 2006

	Debt Service Bond Reserve Fund	Debt Service Bond Sinking Fund	Water Construction Fund II	Total Non-Major Governmental Funds
Assets				
Cash	\$ 596	\$ 684,117	\$ 8,697	\$ 693,410
Investments	1,154,749	85,335	-	1,240,084
Total Assets	\$ 1,155,345	\$ 769,452	\$ 8,697	\$ 1,933,494
Liabilities and Fund Balance				
Liabilities				
Interfund Payables	\$ 13,758	\$ -	\$ -	\$ 13,758
Total Liabilities	13,758	-	-	13,758
Fund Balance				
Reserved for Debt Service	1,141,587	\$ 769,452	\$ -	\$ 1,911,039
Unreserved, Reported in:				
Capital Projects Fund	-	-	8,697	8,697
Total Fund Balance	1,141,587	769,452	8,697	1,919,736
Total Liabilities and Fund Balance	\$ 1,155,345	\$ 769,452	\$ 8,697	\$ 1,933,494

Other Supplemental Information
Schedule 2

CITY OF MANDEVILLE, LOUISIANA
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended August 31, 2006

	Debt Service Bond Reserve Fund	Debt Service Bond Sinking Fund	Water Construction Fund II	Total Non-Major Governmental Funds
Revenues				
Interest Income	\$ 13,441	\$ 12,372	\$ 287	\$ 26,100
Total Revenues	<u>13,441</u>	<u>12,372</u>	<u>287</u>	<u>26,100</u>
Expenditures				
Construction Costs	-	-	-	-
Engineering Fees	-	-	-	-
Debt Service	-	1,260,069	-	1,260,069
Total Expenditures	<u>-</u>	<u>1,260,069</u>	<u>-</u>	<u>1,260,069</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>13,441</u>	<u>(1,247,697)</u>	<u>287</u>	<u>(1,233,969)</u>
Other Financing Sources (Uses)				
Operating Transfers In (Out):				
Special Sales Tax	(14,086)	1,276,608	-	1,262,522
Total Other Financing Sources (Uses)	<u>(14,086)</u>	<u>1,276,608</u>	<u>-</u>	<u>1,262,522</u>
Net Change in Fund Balance	<u>(645)</u>	<u>28,911</u>	<u>287</u>	<u>28,553</u>
Fund Balance, Beginning of Year	<u>1,142,232</u>	<u>740,541</u>	<u>8,410</u>	<u>1,891,183</u>
Fund Balance, End of Year	<u>\$ 1,141,587</u>	<u>\$ 769,452</u>	<u>\$ 8,697</u>	<u>\$ 1,919,736</u>

Other Supplemental Information
Schedule 3

CITY OF MANDEVILLE, LOUISIANA
Budgetary Comparison Schedule
Enterprise Fund
For the Year Ended August 31, 2006

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Favorable/ (Unfavorable)
Operating Revenues				
Charges for Services:				
Water Fees	\$ 930,000	\$ 1,050,000	\$ 1,133,169	\$ 83,169
Sewer Fees	1,490,000	1,490,000	1,451,102	(38,898)
Tapping Fees:				
Water Department	25,000	40,000	47,265	7,265
Sewer Department	24,000	25,000	28,299	3,299
Service Charge	18,000	18,000	18,825	825
Delinquent Charges	90,000	60,000	52,668	(7,332)
Sewer Inspection Fees	1,500	2,500	2,475	(25)
Miscellaneous	5,000	28,000	21,647	(4,353)
DHH Fees	12,000	13,000	12,534	(466)
Sewer Impact Fees	55,000	70,000	83,920	13,920
Water Inspection Fees	1,500	3,000	3,050	50
Water Impact Fees	65,000	80,000	89,006	9,006
Total Operating Revenues	2,717,000	2,877,500	2,943,960	66,460
Operating Expenses				
Water Department Expenses	1,102,500	1,649,000	1,487,870	161,130
Sewer Department Expenses	3,663,000	7,160,000	2,064,571	5,095,429
Total Expenditures	4,765,500	8,809,000	3,552,441	5,256,559
Operating Loss	(2,048,500)	(5,931,500)	(608,481)	5,323,019
Non-Operating Revenues (Expenses)				
Grant Income	-	1,783,500	901,830	(881,670)
Disaster Income	-	1,365,000	56,500	(1,308,500)
Interest Income	40,000	52,000	65,077	13,077
Loss on Disposal of Assets	-	-	(7,410)	(7,410)
Interest and Fiscal Charges	(33,000)	(33,000)	-	33,000
Total Non-Operating (Expenses) Revenues	7,000	3,167,500	1,015,997	(2,151,503)
Change in Net Assets Before Operating Transfers	(2,041,500)	(2,764,000)	407,516	3,171,516
Operating Transfers - Special Sales Tax Fund	2,135,000	2,550,000	550,000	(2,000,000)
Change in Net Assets	93,500	(214,000)	957,516	1,171,516
Net Assets, Beginning of Year	-	1,700,000	28,608,950	26,908,950
Net Assets, End of Year	\$ 93,500	\$ 1,486,000	\$ 29,566,466	\$ 28,080,466

Other Supplemental Information
Schedule 4

CITY OF MANDEVILLE, LOUISIANA
Budgetary Comparison Schedule
Enterprise Fund
For the Year Ended August 31, 2006

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Favorable/ (Unfavorable)
Water Department Expenses				
Salaries, Overtime, and Vacation	\$ 388,000	\$ 416,000	\$ 341,389	\$ 74,611
Payroll Taxes	29,500	31,500	25,429	6,071
Retirement	94,000	94,000	64,641	29,359
Employee Medical Insurance	101,000	101,000	70,389	30,611
Workmen's Compensation	19,000	20,000	8,502	11,498
Licenses and Permits	12,000	12,000	12,343	(343)
Engineers' Fees	20,000	37,000	12,650	24,350
Computer Programs and Supplies	10,000	16,000	15,874	126
Pumps Maintenance	25,000	25,000	2,286	22,714
Purification Chemicals	45,000	60,000	66,278	(6,278)
Bad Debt Expense	3,000	3,000	150,645	(147,645)
Membership, Dues and Subscriptions	1,500	1,500	1,052	448
Printing	3,000	3,000	2,925	75
Utilities	71,000	112,000	105,761	6,239
Telephone	16,000	16,000	13,286	2,714
Insurance - General	17,000	17,000	14,700	2,300
Insurance - Property	15,000	15,000	12,769	2,231
Office Supplies	2,500	2,500	1,980	520
Service Charges	500	500	10	490
Building Maintenance	3,000	3,000	2,973	27
Postage	7,000	8,000	7,022	978
Travel, Convention and Conferences	2,500	2,500	1,753	747
Civil Service	1,000	2,000	1,494	506
Radio Maintenance	1,500	1,500	1,404	96
Uniforms	4,000	4,000	4,874	(874)
Fuel, Oil and Lube	15,000	19,000	18,970	30
Insurance - Vehicle	7,000	7,000	5,000	2,000
Vehicle Repair and Maintenance	10,000	10,000	4,219	5,781
Equipment Maintenance	5,000	6,000	5,885	115
Equipment Rental	1,000	1,000	-	1,000
Contract Labor	59,000	107,500	84,754	22,746
Small Tools and Supplies	24,500	24,500	18,789	5,711
Depreciation	20,000	391,000	351,173	39,827
Water Connection Supplies Tap	40,000	50,000	32,836	17,164
Testing	500	500	-	500
Water Plant Maintenance	22,000	22,000	21,880	120
Training	3,500	3,500	1,935	1,565
Emergency Repairs	3,000	3,000	-	3,000
Total Water Department Expenses	\$ 1,102,500	\$ 1,649,000	\$ 1,487,870	\$ 161,130

CITY OF MANDEVILLE, LOUISIANA
Budgetary Comparison Schedule
Enterprise Fund
For the Year Ended August 31, 2006

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Favorable/ (Unfavorable)
Sewer Department Expenses				
Salaries, Overtime, and Vacation	\$ 356,000	\$ 369,000	\$ 239,607	\$ 129,393
Payroll Taxes	31,500	32,500	17,728	14,772
Retirement	85,500	85,500	64,613	20,887
Employee Medical Insurance	140,000	140,000	86,987	53,013
Workmen's Compensation	24,500	25,000	6,739	18,261
Licenses and Permits	8,000	8,000	7,114	886
Engineers' Fees	20,000	66,500	18,770	47,730
Computer Programs and Supplies	11,000	21,000	18,837	2,163
Pumps Maintenance	75,000	310,000	304,411	5,589
Purification Chemical	24,000	24,000	10,044	13,956
Membership, Dues and Subscriptions	1,000	1,000	634	366
Printing	2,000	2,000	1,866	134
Utilities	315,000	415,000	402,210	12,790
Telephone	7,500	7,500	5,401	2,099
Insurance - General	17,000	17,000	9,115	7,885
Insurance - Building	12,000	12,000	8,750	3,250
Office Supplies	2,000	2,000	1,572	428
Building Maintenance	1,500	1,500	1,491	9
Postage	8,000	8,000	7,287	713
Travel, Convention and Conferences	3,000	9,000	8,907	93
Civil Service	1,000	2,000	1,566	434
Radio Maintenance and Repair	1,500	1,500	1,404	96
Uniforms	4,500	4,500	4,991	(491)
Fuel, Oil and Lube	15,000	18,000	17,956	44
Insurance - Vehicle	8,000	8,000	5,000	3,000
Vehicle Repair and Maintenance	10,000	10,000	6,194	3,806
Equipment Maintenance	22,000	32,000	31,287	713
Equipment Rental	1,500	1,500	614	886
Contract Labor	58,000	91,000	194,601	(103,601)
Small Tools and Supplies	17,500	17,500	15,020	2,480
Sand, Asphalt and Gravel	5,000	5,000	-	5,000
Depreciation	2,155,000	5,003,000	360,415	4,642,585
Sewer Connection Supplies	8,000	8,000	(2,509)	10,509
Sewer Testing	95,000	135,000	118,142	16,858
Plant Maintenance and Repair	110,000	260,000	85,127	174,873
Training	3,500	3,500	2,680	820
Emergency Repairs	3,000	3,000	-	3,000
Total Sewer Department Expenses	\$ 3,663,000	\$ 7,160,000	\$ 2,064,571	\$ 5,095,429

CITY OF MANDEVILLE
Schedule of Expenditures of Federal awards
August 31, 2006

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Award Amount	Total Federal Expenditures Recognized
<u>U.S. Department of Homeland Security</u>			
Passed through State Department of Military, Office of Emergency Preparedness			
Community Disaster Loan	97.030	\$ 2,030,000	\$ 650,000
Public Assistance Grant	97.036	3,929,788	3,929,788
<u>U. S. Department of Transportation</u>			
Passed through State Department of Transportation and Development:			
Highway Planning and Construction	20.205	851,682	851,680
<u>U.S. Department of Interior</u>			
Passed through State Department of Wildlife and Fisheries			
Wallup-Breaux Project	15.605	159,000	159,000
<u>U. S. Department of Justice</u>			
Bulletproof Vest Partnership Program	16.607	340	340
Total Expenditures of Federal Awards			<u>\$ 5,590,808</u>

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Mandeville, Louisiana and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

OTHER REPORTS



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Edward Price, III, Mayor
and Members of the City Council
City of Mandeville, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Mandeville, Louisiana (the City), as of and for the year ended August 31, 2006, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 3, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain matter that we consider to be an immaterial instance of noncompliance that we reported to management of City of Mandeville, Louisiana, in a separate letter dated January 3, 2007.

This report is intended solely for the information and use of the management of City of Mandeville, Louisiana, federal awarding agencies and the Legislative Auditor of the State of Louisiana, and is not intended to be, and should not be, used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



A Professional Accounting Corporation

January 3, 2007



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Edward Price, III, Mayor
and Members of the City Council
City of Mandeville, Louisiana

Compliance

We have audited the compliance of the City of Mandeville, Louisiana (the City) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2006. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Mandeville, Louisiana complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2006.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to the major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance that we consider to be material weaknesses.

This report is intended solely for the information and use of the management of City of Mandeville, Louisiana, federal awarding agencies and the Legislative Auditor of the State of Louisiana and is not intended to be, and should not be, used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



A Professional Accounting Corporation

January 3, 2007

CITY OF MANDEVILLE, LOUISIANA
Schedule of Findings and Questioned Cost
For the Year Ended August 31, 2006

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the basic financial statements of City of Mandeville, Louisiana.
2. No reportable conditions relating to the audit of the financial statements are reported in the Report on Compliance and Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the basic financial statements of City of Mandeville, Louisiana were disclosed during the audit. However, an immaterial instance of noncompliance was noted during the audit.
4. No reportable conditions relating to the audit of the major federal award programs of City of Mandeville, Louisiana are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs administered by City of Mandeville, Louisiana expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for City of Mandeville, Louisiana are reported in Part C of this Schedule.
7. The programs tested as major programs included:

<u>PROGRAM</u>	<u>CFDA No.</u>
Community Disaster Loan	97.030
Public Assistance Grant	97.036
Highway Planning and Construction	20.205

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City was not determined to be a low-risk auditee.
10. An immaterial instance of noncompliance was identified that was reported to management in a separate letter dated January 3, 2007. This instance of noncompliance was not considered to be a reportable condition.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

CITY OF MANDEVILLE, LOUISIANA
Status of Prior Year Audit Findings
For the Year Ended August 31, 2006

None



LAPORTE SEHRT
ROMIG HAND
CERTIFIED PUBLIC ACCOUNTANTS

January 3, 2007

The Honorable Edward Price, III, Mayor
and Members of the City Council
City of Mandeville, Louisiana

During the performance of our audit of the financial statements for the **City of Mandeville, Louisiana** for the year ended August 31, 2006, we identified an instance of noncompliance that we considered to be immaterial to the financial statements taken as a whole. Our finding is summarized below:

Finding 06-01

In the aftermath of Hurricane Katrina, a councilman for the **City of Mandeville, Louisiana** (City) utilized a City vehicle to check on family members that had evacuated from the area. Although the councilman considered this to be an emergency situation, the use of the City's vehicle is considered to be a violation of Article VII, Section 14 of the State's constitution which prohibits the use of government assets for personal use. The councilman has reimbursed the City for estimated use of the vehicle.

We recommend that management periodically meet with council members and with employees of the City to remind them that personal use of the City's assets is prohibited and a violation of State law. Questions concerning specific situations involving the use of government assets should be addressed to the City's attorney, or to the Louisiana Attorney General.

Management's Reply and Corrective Action Plan

Management will take steps to periodically remind all elected officials and paid employees of the **City of Mandeville, Louisiana** of the provisions of Article VII, Section 14 of the State's constitution and the restrictions pertaining to personal use of government assets.

* * * * *

We appreciate the confidence you have placed in us by allowing us to serve the **City of Mandeville, Louisiana**.

Laporte, Sehrt, Romig & Hand

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